SENTRY®
LIFE INSURANCE
COMPANY

The Patriot

SENTRY VARIABLE ACCOUNT II

SEMI-ANNUAL REPORT

June 30, 2016

A flexible premium deferred variable annuity funded by T. Rowe Price Fixed Income Series, Inc., T. Rowe Price Equity Series, Inc., T. Rowe Price International Series, Inc., Janus Aspen Series, and Vanguard Variable Insurance Fund

32-94A

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JANUS®

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Janus Aspen Forty Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We believe that constructing a concentrated portfolio of quality growth companies will allow us to outperform our benchmark and peers over time. We define quality as companies that enjoy sustainable "moats" around their businesses, potentially allowing companies to grow faster, with higher returns, than their competitors. We believe the market often underestimates these companies' sustainable competitive advantage periods.

Doug Rao
co-portfolio manager

Nick Schommer
co-portfolio manager

PERFORMANCE OVERVIEW

For the six-month period ended June 30, 2016, the Portfolio's Institutional Shares and Service Shares returned -1.49% and -1.63%, respectively, versus a return of 1.36% for the Portfolio's primary benchmark, the Russell 1000 Growth Index. The Portfolio's secondary benchmark, the S&P 500 Index, returned 3.84% for the period.

INVESTMENT ENVIRONMENT

The building pressure in U.S. and global equities in late 2015 led to a broad-based sell-off in early in the year. A chief concern was the fear of slower-than-expected growth in China, the world's second-largest economy. The negative sentiment was also reflected in weakness in energy markets, with the U.S. benchmark for crude oil dipping to levels not seen in over a decade. However, markets regained confidence near mid-February, with both stocks and crude retracing earlier losses.

U.S. stocks traded narrowly for much of the second half of the period as investors were able to glean enough positive news from economic data to keep stocks buoyant. The continuation of accommodative global central bank policy was also additive. Expectations of future interest rate hikes by the Federal Reserve in the near term were diminished with the May employment rate that fell well short of expectations. Markets were impacted late in June by the UK's surprise decision to leave the European Union. Stocks fell immediately after the news before recovering through the end of the month, while the dollar rose and safe-haven government bonds saw yields drop.

PERFORMANCE DISCUSSION

The Portfolio underperformed its primary benchmark, the Russell 1000 Growth Index, and its secondary benchmark, the S&P 500 Index, during the period. As part of our investment strategy, we seek companies that have clear, sustainable competitive moats around their businesses that should help them grow market share within their respective industries over time. Important competitive advantages could include a strong brand, network effects from a product or service that would be hard for a competitor to replicate, a lower cost structure than competitors in the industry, a distribution advantage or patent protection over valuable intellectual property. We think emphasizing such sustainable competitive advantages can be a meaningful driver of outperformance over time because the market often underestimates the duration of growth for these companies and the long-term potential return to shareholders.

Norwegian Cruise Lines was the leading detractor during the period. The stock traded down as geopolitical concerns in Europe weighed on the willingness of North American tourists to book cruises to the region. Over the long term, however, we remain encouraged by Norwegian's potential. We appreciate the company's position in the market, and believe industry dynamics are setting up an environment for improving returns on invested capital for cruise lines. Increased cruise demand from China and to new routes such as Cuba also offer growth potential.

Another leading detractor, Regeneron Pharmaceuticals, was impacted by the broad downturn in biotech stocks during the first quarter of 2016. Slower-than-expected adoption of new drugs the company recently launched was also a headwind. Moreover, the company recently communicated that it is planning for the coming year to be an investment year, which weighed on estimates.

Alphabet Inc. (formerly known as Google) also weighed on performance. The stock underperformed due, in part, to a greater portion of internet searches going through mobile devices, which led to higher-than-expected traffic acquisition costs. There are also concerns that the company's smaller pipeline for new features may impact its ability to maintain the high level of growth it's had over the last five to six quarters. However, we believe the company is well positioned to consolidate advertising spending as advertising becomes increasingly connected and personalized, and as it transitions from offline channels such as print and television to more measurable online channels such as mobile and online video. We believe the network effects around Alphabet's advertising business and Android ecosystem will continue to grow, further deepening the company's competitive moat and enabling it to better understand users' context and intent and connect those users with suppliers of products and services.

While some stocks negatively impacted performance, we are pleased with the performance of a number of our positions. Medical device maker Boston Scientific was the leading contributor to performance during the period. During the second half of the period, the company reported stronger-than-expected earnings per share, and the pace of organic sales growth was the highest reported in over a decade. Results were especially strong in the company's interventional cardiology unit, as well as in urology and neuromodulation. Margin performance was also impressive. At the American College of Cardiology conference, strong data for transcatheter aortic valve replacement (TAVR) devices in intermediate risk patients led many to raise their estimates of the long term market potential. Boston Scientific is the number three player in the TAVR market and stands to benefit from wider acceptance of these devices.

Construction aggregate company Vulcan Materials was another leading contributor. The company performed well during the period as residential and nonresidential aggregate markets continued to recover. Improvements in highway infrastructure spending also aided the stock's performance. We believe the macroeconomic environment is favorable for continued performance by Vulcan, which we believe enjoys strong competitive advantages around its business model and quarries.

Amazon also contributed during the period. The company benefited as its first quarter results showed increased retail profitability. Continued strong growth in Amazon Web Services (AWS), its cloud business, was also additive. We believe Amazon is a good example of the types of competitively advantaged companies we tend to seek in our portfolio. Amazon has already rewritten the rules for retail shopping and we believe it will continue to gain consumers' wallet share as more shopping moves from physical stores to online and mobile purchases.

OUTLOOK

Moving into the second half of 2016, markets are still faced with a slow-growing global economy and geopolitical pressures that are, to some degree, a reaction to slow global growth. Given the outcome of the June referendum in the UK, we expect increased geopolitical uncertainty in Europe, as well as moderately lower growth in Europe and globally as the UK navigates its exit from the European Union.

While there are concerns about the global economy, we think it underscores the importance of finding those select companies with truly sustainable competitive advantages that can take market share and continue to grow earnings, even without the backdrop of a strong global economy. Such companies are more appreciated in a world where growth is harder to come by, as they can create their own path to creating value.

Thank you for your investment in Janus Aspen Forty Portfolio.

Janus Aspen Forty Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Top Performers - Holdings

	Contribution
Boston Scientific Corp.	0.72%
Vulcan Materials Co.	0.71%
Crown Castle International Corp.	0.54%
Amazon.com, Inc.	0.45%
Nielsen Holdings PLC	0.38%

5 Bottom Performers - Holdings

	Contribution
Norwegian Cruise Line Holdings, Ltd.	-0.80%
Regeneron Pharmaceuticals, Inc.	-0.67%
Alphabet, Inc. - Class C	-0.55%
E*TRADE Financial Corporation	-0.51%
Celgene Corporation	-0.51%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Materials	0.57%	3.06%	3.53%
Health Care	0.50%	17.30%	16.21%
Utilities	-0.01%	0.00%	0.05%
Industrials	-0.02%	9.16%	10.97%
Energy	-0.05%	0.00%	0.53%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Consumer Discretionary	-1.08%	23.68%	21.18%
Consumer Staples	-0.97%	2.28%	11.76%
Financials	-0.74%	12.81%	5.62%
Telecomunication Services	-0.44%	0.00%	2.29%
Information Technology	-0.23%	28.47%	27.85%

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

* Based on sector classification according to the Global Industry Classification Standard ("GICS") codes, which are the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

Janus Aspen Forty Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Largest Equity Holdings - (% of Net Assets)

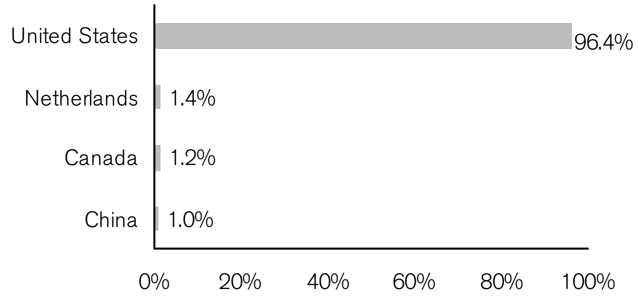
General Electric Co.	
Industrial Conglomerates	5.3%
Alphabet, Inc. - Class C	
Internet Software & Services	5.1%
Lowe's Cos., Inc.	
Specialty Retail	5.1%
Amazon.com, Inc.	
Internet & Catalog Retail	4.9%
Zoetis, Inc.	
Pharmaceuticals	4.6%
	25.0%

Asset Allocation - (% of Net Assets)

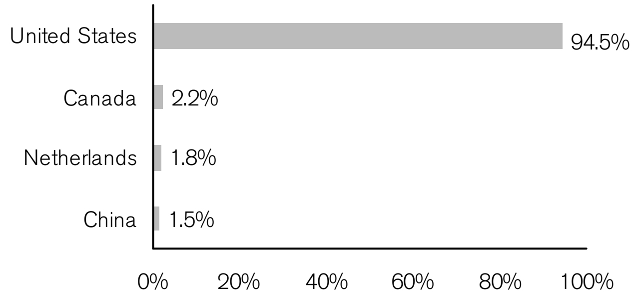
Common Stocks	96.7%
Investment Companies	6.6%
Other	(3.3)%
	100.0%

Top Country Allocations - Long Positions - (% of Investment Securities)

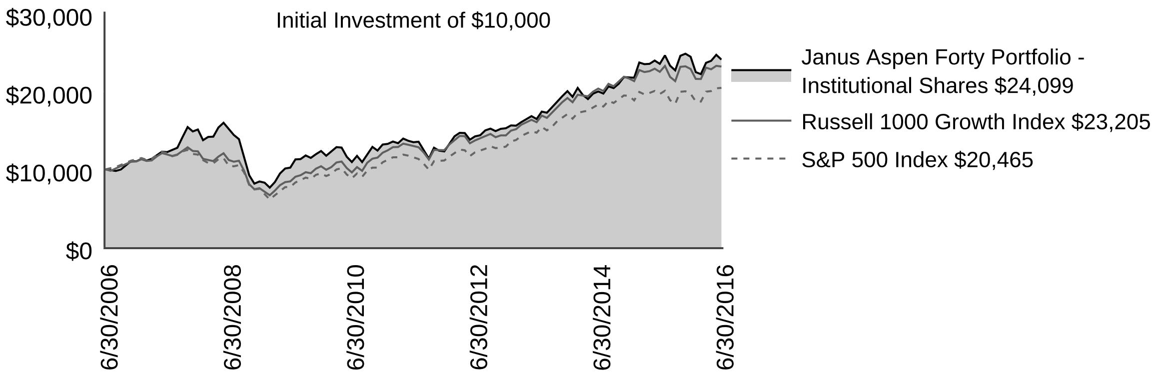
As of June 30, 2016



As of December 31, 2015



Janus Aspen Forty Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2016	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2016 prospectuses Total Annual Fund Operating Expenses
Institutional Shares	-1.49%	2.31%	12.31%	9.19%	10.64%	0.74%
Service Shares	-1.63%	2.03%	12.02%	8.92%	10.32%	0.99%
Russell 1000 Growth Index	1.36%	3.02%	12.35%	8.78%	6.50%	
S&P 500 Index	3.84%	3.99%	12.10%	7.42%	7.15%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Large Growth Funds	-	169/1,679	127/1,512	102/1,314	16/731	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 877.33JANUS(52687) or visit janus.com/variable-insurance.

This Portfolio has a performance-based management fee that may adjust up or down based on the Portfolio's performance.

A Portfolio's performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a Portfolio may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each Portfolio has different risks. Please see a Janus prospectus for more information about risks, portfolio holdings and other details.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Returns shown would have been lower had they included insurance charges.

Returns include reinvestment of all dividends and distributions and do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares. The returns do not include adjustments in accordance with generally accepted accounting principles required at the period end for financial reporting purposes.

See Financial Highlights for actual expense ratios during the reporting period.

Performance for Service Shares prior to December 31, 1999 reflects the performance of Institutional Shares, adjusted to reflect the expenses of Service Shares.

Ranking is for the share class shown only; other classes may have different performance characteristics.

There is no assurance that the investment process will consistently lead to successful investing.

See important disclosures on the next page.

Janus Aspen Forty Portfolio (unaudited)
Performance

See Notes to Schedule of Investments and Other Information for index definitions.

A Portfolio's holdings may differ significantly from the securities held in an index. An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

See "Useful Information About Your Portfolio Report."

Effective January 12, 2016, Douglas Rao and Nick Schommer are Co-Portfolio Managers of the Portfolio.

*The Portfolio's inception date – May 1, 1997

Janus Aspen Forty Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual 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 example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these columns, 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 appropriate column for your share class under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio'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 Portfolio 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. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as any charges at the separate account level or contract level. These fees are fully described in the Portfolio's prospectuses. Therefore, the hypothetical examples are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Net Annualized Expense Ratio (1/1/16 - 6/30/16)
Institutional Shares	$1,000.00	$985.10	$3.45	$1,000.00	$1,021.38	$3.52	0.70%
Service Shares	$1,000.00	$983.70	$4.69	$1,000.00	$1,020.14	$4.77	0.95%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). Expenses in the examples include the effect of applicable fee waivers and/or expense reimbursements, if any. Had such waivers and/or reimbursements not been in effect, your expenses would have been higher. Please refer to the Notes to Financial Statements or the Portfolio's prospectuses for more information regarding waivers and/or reimbursements.

Janus Aspen Forty Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – 96.7%		
Automobiles – 0.8%		
Tesla Motors, Inc.*,#	28,318	$6,011,345
Biotechnology – 4.9%		
Celgene Corp.*	277,664	27,386,000
Regeneron Pharmaceuticals, Inc.*	26,246	9,165,891
		36,551,891
Capital Markets – 2.0%		
Charles Schwab Corp.	329,622	8,342,733
E*TRADE Financial Corp.*	289,965	6,811,278
		15,154,011
Construction Materials – 3.2%		
Vulcan Materials Co.	197,179	23,732,465
Consumer Finance – 1.5%		
Synchrony Financial	433,380	10,955,846
Diversified Financial Services – 5.0%		
Intercontinental Exchange, Inc.	95,821	24,526,343
S&P Global, Inc.	118,110	12,668,479
		37,194,822
Food & Staples Retailing – 2.7%		
Costco Wholesale Corp.	128,836	20,232,405
Health Care Equipment & Supplies – 4.1%		
Boston Scientific Corp.*	1,095,641	25,605,130
DexCom, Inc.*	60,670	4,812,951
		30,418,081
Hotels, Restaurants & Leisure – 4.0%		
Chipotle Mexican Grill, Inc.*	19,904	8,016,535
Norwegian Cruise Line Holdings, Ltd.*,#	215,480	8,584,723
Starbucks Corp.	224,653	12,832,179
		29,433,437
Industrial Conglomerates – 5.3%		
General Electric Co.	1,254,187	39,481,807
Information Technology Services – 4.0%		
MasterCard, Inc. - Class A	335,147	29,513,045
Internet & Catalog Retail – 7.3%		
Amazon.com, Inc.*	51,230	36,661,213
Ctrip.com International, Ltd. (ADR)*,#	184,914	7,618,457
Priceline Group, Inc.*	8,123	10,140,834
		54,420,504
Internet Software & Services – 10.7%		
Alphabet, Inc. - Class C*	54,701	37,858,562
CoStar Group, Inc.*	98,737	21,589,832
Facebook, Inc. - Class A*	173,352	19,810,667
		79,259,061
Life Sciences Tools & Services – 1.8%		
Quintiles Transnational Holdings, Inc.*	202,151	13,204,503
Media – 2.1%		
Time Warner, Inc.	210,875	15,507,748
Pharmaceuticals – 7.6%		
Bristol-Myers Squibb Co.	305,134	22,442,606
Zoetis, Inc.	712,131	33,797,737
		56,240,343
Professional Services – 2.0%		
Nielsen Holdings PLC	287,206	14,926,096
Real Estate Investment Trusts (REITs) – 3.3%		
Crown Castle International Corp.	239,786	24,321,494
Road & Rail – 1.2%		
Canadian Pacific Railway, Ltd. (U.S. Shares)	72,527	9,340,752
Semiconductor & Semiconductor Equipment – 1.4%		
NXP Semiconductors NV*	135,648	10,626,664

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Forty Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Software – 10.3%		
Activision Blizzard, Inc.	432,835	$17,153,251
Adobe Systems, Inc.*	253,620	24,294,260
Salesforce.com, Inc.*	262,350	20,833,214
Workday, Inc. - Class A*,#	187,306	13,986,139
		76,266,864
Specialty Retail – 6.8%		
Advance Auto Parts, Inc.	77,761	12,568,510
Lowe's Cos., Inc.	476,881	37,754,669
		50,323,179
Technology Hardware, Storage & Peripherals – 2.2%		
Apple, Inc.	174,004	16,634,782
Textiles, Apparel & Luxury Goods – 2.5%		
NIKE, Inc. - Class B	338,584	18,689,837
Total Common Stocks (cost $569,584,540)		718,440,982
Investment Companies – 6.6%		
Investments Purchased with Cash Collateral from Securities Lending – 2.0%		
Janus Cash Collateral Fund LLC, 0.4719%°°,£	14,828,833	14,828,833
Money Markets – 4.6%		
Janus Cash Liquidity Fund LLC, 0.4506%°°,£	33,904,538	33,904,538
Total Investment Companies (cost $48,733,371)		48,733,371
Total Investments (total cost $618,317,911) – 103.3%		767,174,353
Liabilities, net of Cash, Receivables and Other Assets – (3.3)%		(24,699,814)
Net Assets – 100%		$742,474,539

Summary of Investments by Country - (Long Positions) (unaudited)

Country	Value	% of Investment Securities
United States	$739,588,480	96.4 %
Netherlands	10,626,664	1.4
Canada	9,340,752	1.2
China	7,618,457	1.0
Total	$767,174,353	100.0 %

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Russell 1000® Growth Index	Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
S&P 500® Index	Measures broad U.S. equity performance.
ADR	American Depositary Receipt
LLC	Limited Liability Company
PLC	Public Limited Company
U.S. Shares	Securities of foreign companies trading on an American stock exchange.

* Non-income producing security.

ºº Rate shown is the 7-day yield as of June 30, 2016.

\# Loaned security; a portion of the security is on loan at June 30, 2016.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the period ended June 30, 2016. Unless otherwise indicated, all information in the table is for the period ended June 30, 2016.

	Share Balance at 12/31/15	*Purchases*	*Sales*	*Share Balance at 6/30/16*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/16*
Janus Cash Collateral Fund LLC	—	102,419,692	(87,590,859)	14,828,833	$—	$58,875(1)	$14,828,833
Janus Cash Liquidity Fund LLC	24,691,025	115,957,513	(106,744,000)	33,904,538	—	40,829	33,904,538
Total					$—	$99,704	$48,733,371

(1) Net of income paid to the securities lending agent and rebates paid to the borrowing counterparties.

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of June 30, 2016. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quoted Prices	**Level 2 - Other Significant Observable Inputs**	**Level 3 - Significant Unobservable Inputs**
Assets			
Investments in Securities:			
Common Stocks	$ 718,440,982	$ -	$ -
Investment Companies	-	48,733,371	-
Total Assets	$ 718,440,982	$ 48,733,371	$ -

Janus Aspen Forty Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2016

Assets:		
Investments, at cost	$	618,317,911
Unaffiliated investments, at value(1)		718,440,982
Affiliated investments, at value		48,733,371
Cash		26
Non-interested Trustees' deferred compensation		13,438
Receivables:		
Investments sold		5,277,570
Dividends		509,426
Foreign tax reclaims		68,884
Portfolio shares sold		47,878
Dividends from affiliates		6,496
Other assets		1,731
Total Assets		773,099,802
Liabilities:		
Collateral for securities loaned (Note 2)		14,828,833
Payables:		
Investments purchased		14,540,429
Portfolio shares repurchased		485,314
Advisory fees		431,137
12b-1 Distribution and shareholder servicing fees		96,996
Transfer agent fees and expenses		31,320
Non-interested Trustees' deferred compensation fees		13,438
Professional fees		12,365
Portfolio administration fees		5,859
Non-interested Trustees' fees and expenses		5,075
Accrued expenses and other payables		174,497
Total Liabilities		30,625,263
Net Assets	$	742,474,539
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	586,576,562
Undistributed net investment income/(loss)		251,067
Undistributed net realized gain/(loss) from investments and foreign currency transactions		6,791,080
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		148,855,830
Total Net Assets	$	742,474,539
Net Assets - Institutional Shares	$	275,764,827
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		8,888,232
Net Asset Value Per Share	$	31.03
Net Assets - Service Shares	$	466,709,712
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		15,706,580
Net Asset Value Per Share	$	29.71

(1) Includes $14,505,337 of securities on loan. See Note 2 in Notes to Financial Statements.

See Notes to Financial Statements.

Janus Aspen Forty Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2016

Investment Income:		
Dividends	$	3,327,334
Affiliated securities lending income, net		58,875
Dividends from affiliates		40,829
Foreign tax withheld		(9,724)
Total Investment Income		3,417,314
Expenses:		
Advisory fees		2,328,887
12b-1Distribution and shareholder servicing fees:		
Service Shares		567,097
Transfer agent administrative fees and expenses:		
Institutional Shares		23,194
Service Shares		39,508
Other transfer agent fees and expenses:		
Institutional Shares		1,149
Service Shares		1,285
Portfolio administration fees		29,985
Professional fees		20,665
Non-interested Trustees' fees and expenses		11,173
Registration fees		7,770
Custodian fees		3,554
Other expenses		115,853
Total Expenses		3,150,120
Net Investment Income/(Loss)		267,194
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		6,896,668
Total Net Realized Gain/(Loss) on Investments		6,896,668
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		(21,258,807)
Total Change in Unrealized Net Appreciation/Depreciation		(21,258,807)
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	(14,094,945)

See Notes to Financial Statements.

Janus Aspen Forty Portfolio
Statements of Changes in Net Assets

	Period ended June 30, 2016 (unaudited)	Year ended December 31, 2015
Operations:		
Net investment income/(loss)	$ 267,194	$ (1,217,012)
Net realized gain/(loss) on investments	6,896,668	103,601,643
Change in unrealized net appreciation/depreciation	(21,258,807)	(11,093,868)
Net Increase/(Decrease) in Net Assets Resulting from Operations	(14,094,945)	91,290,763
Dividends and Distributions to Shareholders:		
Distributions from Net Realized Gain from Investment Transactions		
Institutional Shares	(37,062,653)	(57,445,111)
Service Shares	(65,123,788)	(102,554,820)
Net Decrease from Dividends and Distributions to Shareholders	(102,186,441)	(159,999,931)
Capital Share Transactions:		
Institutional Shares	22,091,435	18,828,189
Service Shares	39,935,656	54,810,568
Net Increase/(Decrease) from Capital Share Transactions	62,027,091	73,638,757
Net Increase/(Decrease) in Net Assets	(54,254,295)	4,929,589
Net Assets:		
Beginning of period	796,728,834	791,799,245
End of period	$ 742,474,539	$ 796,728,834
Undistributed Net Investment Income/(Loss)	$ 251,067	$ (16,127)

See Notes to Financial Statements.

Janus Aspen Forty Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$36.37	$40.27	$53.34	$40.95	$33.22	$35.74
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.01(1)	0.03(1)	0.03(1)	0.38	0.47	0.23
Net realized and unrealized gain/(loss)	(0.54)	4.77	3.08	12.34	7.54	(2.62)
Total from Investment Operations	(0.53)	4.80	3.11	12.72	8.01	(2.39)
Less Dividends and Distributions:						
Dividends (from net investment income)	—	—	(0.09)	(0.33)	(0.28)	(0.13)
Distributions (from capital gains)	(4.81)	(8.70)	(16.09)	—	—	—
Total Dividends and Distributions	(4.81)	(8.70)	(16.18)	(0.33)	(0.28)	(0.13)
Net Asset Value, End of Period	$31.03	$36.37	$40.27	$53.34	$40.95	$33.22
Total Return*	(1.49)%	12.22%	8.73%	31.23%	24.16%	(6.69)%
Net Assets, End of Period (in thousands)	$275,765	$295,725	$299,546	$355,429	$488,374	$459,459
Average Net Assets for the Period (in thousands)	$273,189	$298,904	$307,359	$491,231	$512,799	$518,818
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.70%	0.69%	0.57%	0.55%	0.55%	0.70%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.70%	0.69%	0.57%	0.55%	0.55%	0.70%
Ratio of Net Investment Income/(Loss)	0.06%	0.08%	0.07%	0.31%	1.03%	0.56%
Portfolio Turnover Rate	22%	55%	46%	61%	10%	46%

Service Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$35.08	$39.21	$52.40	$40.28	$32.72	$35.24
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	(0.03)(1)	(0.06)(1)	(0.07)(1)	—(2)	0.31	0.09
Net realized and unrealized gain/(loss)	(0.53)	4.63	2.99	12.38	7.47	(2.52)
Total from Investment Operations	(0.56)	4.57	2.92	12.38	7.78	(2.43)
Less Dividends and Distributions:						
Dividends (from net investment income)	—	—	(0.02)	(0.26)	(0.22)	(0.09)
Distributions (from capital gains)	(4.81)	(8.70)	(16.09)	—	—	—
Total Dividends and Distributions	(4.81)	(8.70)	(16.11)	(0.26)	(0.22)	(0.09)
Net Asset Value, End of Period	$29.71	$35.08	$39.21	$52.40	$40.28	$32.72
Total Return*	(1.63)%	11.94%	8.47%	30.89%	23.82%	(6.91)%
Net Assets, End of Period (in thousands)	$466,710	$501,003	$492,253	$526,971	$471,002	$417,408
Average Net Assets for the Period (in thousands)	$464,511	$501,868	$493,575	$486,845	$468,967	$475,743
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.95%	0.94%	0.82%	0.81%	0.80%	0.95%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.95%	0.94%	0.82%	0.81%	0.80%	0.95%
Ratio of Net Investment Income/(Loss)	(0.19)%	(0.17)%	(0.17)%	0.04%	0.81%	0.31%
Portfolio Turnover Rate	22%	55%	46%	61%	10%	46%

* Total return not annualized for periods of less than one full year.

** Annualized for periods of less than one full year.

(1) Per share amounts are calculated based on average shares outstanding during the year or period.

(2) Less than $0.005 on a per share basis.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Aspen Forty Portfolio (the "Portfolio") is a series fund. The Portfolio is part of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers twelve portfolios which include multiple series of shares, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio invests primarily in common stocks. The Portfolio is classified as nondiversified, as defined in the 1940 Act.

The Portfolio currently offers two classes of shares: Institutional Shares and Service Shares. Each class represents an interest in the same portfolio of investments. Institutional Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans. Service Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans that require a fee from Portfolio assets to procure distribution and administrative services to contract owners and plan participants.

Shareholders, including other portfolios, participating insurance companies, as well as accounts, may from time to time own (beneficially or of record) a significant percentage of the Portfolio's Shares and can be considered to "control" the Portfolio when that ownership exceeds 25% of the Portfolio's assets (and which may differ from control as determined in accordance with accounting principles generally accepted in the United States of America).

The following accounting policies have been followed by the Portfolio and are in conformity with accounting principles generally accepted in the United States of America.

Investment Valuation

Securities held by the Portfolio are valued in accordance with policies and procedures established by and under the supervision of the Trustees (the "Valuation Procedures"). Equity securities traded on a domestic securities exchange are generally valued at the closing prices on the primary market or exchange on which they trade. If such price is lacking for the trading period immediately preceding the time of determination, such securities are valued at their current bid price. Equity securities that are traded on a foreign exchange are generally valued at the closing prices on such markets. In the event that there is no current trading volume on a particular security in such foreign exchange, the bid price from the primary exchange is generally used to value the security. Securities that are traded on the over-the-counter ("OTC") markets are generally valued at their closing or latest bid prices as available. Foreign securities and currencies are converted to U.S. dollars using the applicable exchange rate in effect at the close of the New York Stock Exchange ("NYSE"). The Portfolio will determine the market value of individual securities held by it by using prices provided by one or more approved professional pricing services or, as needed, by obtaining market quotations from independent broker-dealers. Most debt securities are valued in accordance with the evaluated bid price supplied by the pricing service that is intended to reflect market value. The evaluated bid price supplied by the pricing service is an evaluation that may consider factors such as security prices, yields, maturities and ratings. Certain short-term securities maturing within 60 days or less may be evaluated and valued on an amortized cost basis provided that the amortized cost determined approximates market value. Securities for which market quotations or evaluated prices are not readily available or deemed unreliable are valued at fair value determined in good faith under the Valuation Procedures. Circumstances in which fair value pricing may be utilized include, but are not limited to: (i) a significant event that may affect the securities of a single issuer, such as a merger, bankruptcy, or significant issuer-specific development; (ii) an event that may affect an entire market, such as a natural disaster or significant governmental action; (iii) a nonsignificant event such as a market closing early or not opening, or a security trading halt; and (iv) pricing of a nonvalued security and a restricted or nonpublic security. Special valuation considerations may apply with respect to "odd-lot" fixed-income transactions which, due to their small size, may receive evaluated prices by pricing services which reflect a large block trade and not what actually could be obtained for the odd-lot position. The Portfolio uses systematic fair valuation models provided by independent third parties to value international equity securities in order to adjust for stale pricing, which may occur between the close of certain foreign exchanges and the close of the NYSE.

Valuation Inputs Summary

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that

market participants would use in pricing an asset or liability and establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. These inputs are summarized into three broad levels:

Level 1 – Unadjusted quoted prices in active markets the Portfolio has the ability to access for identical assets or liabilities.

Level 2 – Observable inputs other than unadjusted quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Assets or liabilities categorized as Level 2 in the hierarchy generally include: debt securities fair valued in accordance with the evaluated bid or ask prices supplied by a pricing service; securities traded on OTC markets and listed securities for which no sales are reported that are fair valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers transacting in a market for such securities or by a pricing service approved by the Portfolio's Trustees; certain short-term debt securities with maturities of 60 days or less that are fair valued at amortized cost; and equity securities of foreign issuers whose fair value is determined by using systematic fair valuation models provided by independent third parties in order to adjust for stale pricing which may occur between the close of certain foreign exchanges and the close of the NYSE. Other securities that may be categorized as Level 2 in the hierarchy include, but are not limited to, preferred stocks, bank loans, swaps, investments in unregistered investment companies, options, and forward contracts.

Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Portfolio's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Portfolio since the beginning of the fiscal year.

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2016 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period. The Portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Portfolio is informed of the dividend, if such information is obtained subsequent to the ex-dividend date. Dividends from foreign securities may be subject to withholding taxes in foreign jurisdictions. Interest income is recorded on the accrual basis and includes amortization of premiums and accretion of discounts. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income, as well as gains and losses, both realized and unrealized, are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Expenses

The Portfolio bears expenses incurred specifically on its behalf. Each class of shares bears a portion of general expenses, which are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Estimates

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

Indemnifications
In the normal course of business, the Portfolio may enter into contracts that contain provisions for indemnification of other parties against certain potential liabilities. The Portfolio's maximum exposure under these arrangements is unknown, and would involve future claims that may be made against the Portfolio that have not yet occurred. Currently, the risk of material loss from such claims is considered remote.

Foreign Currency Translations
The Portfolio does not isolate that portion of the results of operations resulting from the effect of changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at the date of the financial statements. Net unrealized appreciation or depreciation of investments and foreign currency translations arise from changes in the value of assets and liabilities, including investments in securities held at the date of the financial statements, resulting from changes in the exchange rates and changes in market prices of securities held.

Currency gains and losses are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to foreign security transactions and income translations.

Foreign currency-denominated assets and forward currency contracts may involve more risks than domestic transactions, including currency risk, counterparty risk, political and economic risk, regulatory risk and equity risk. Risks may arise from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

Dividends and Distributions
The Portfolio may make semiannual distributions of substantially all of its investment income and an annual distribution of its net realized capital gains (if any).

The Portfolio may make certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon funds available from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. If the Portfolio distributes such amounts, such distributions could constitute a return of capital to shareholders for federal income tax purposes.

Federal Income Taxes
The Portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income in accordance with the requirements of Subchapter M of the Internal Revenue Code. Management has analyzed the Portfolio's tax positions taken for all open federal income tax years, generally a three-year period, and has concluded that no provision for federal income tax is required in the Portfolio's financial statements. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

2. Other Investments and Strategies

Additional Investment Risk
The financial crisis in both the U.S. and global economies over the past several years has resulted, and may continue to result, in a significant decline in the value and liquidity of many securities of issuers worldwide in the equity and fixed-income/credit markets. In response to the crisis, the United States and certain foreign governments, along with the U.S. Federal Reserve and certain foreign central banks, took steps to support the financial markets. The withdrawal of this support, a failure of measures put in place to respond to the crisis, or investor perception that such efforts were not sufficient could each negatively affect financial markets generally, and the value and liquidity of specific securities. In addition, policy and legislative changes in the United States and in other countries continue to impact many aspects of financial regulation. The effect of these changes on the markets, and the practical implications for market participants, including the Portfolio, may not be fully known for some time. As a result, it may also be unusually difficult to identify both investment risks and opportunities, which could limit or preclude the Portfolio's ability to achieve its investment objective. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit. As a result, financial markets in the EU experienced extreme volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom voted to exit the EU (known as "Brexit"). One or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

Certain areas of the world have historically been prone to and economically sensitive to environmental events such as, but not limited to, hurricanes, earthquakes, typhoons, flooding, tidal waves, tsunamis, erupting volcanoes, wildfires or droughts, tornadoes, mudslides, or other weather-related phenomena. Such disasters, and the resulting physical or economic damage, could have a severe and negative impact on the Portfolio's investment portfolio and, in the longer term, could impair the ability of issuers in which the Portfolio invests to conduct their businesses as they would under normal conditions. Adverse weather conditions may also have a particularly significant negative effect on issuers in the agricultural sector and on insurance companies that insure against the impact of natural disasters.

Counterparties
Portfolio transactions involving a counterparty are subject to the risk that the counterparty or a third party will not fulfill its obligation to the Portfolio ("counterparty risk"). Counterparty risk may arise because of the counterparty's financial condition (i.e., financial difficulties, bankruptcy, or insolvency), market activities and developments, or other reasons, whether foreseen or not. A counterparty's inability to fulfill its obligation may result in significant financial loss to the Portfolio. The Portfolio may be unable to recover its investment from the counterparty or may obtain a limited recovery, and/or recovery may be delayed. The extent of the Portfolio's exposure to counterparty risk with respect to financial assets and liabilities approximates its carrying value. See the "Offsetting Assets and Liabilities" section of this Note for further details.

The Portfolio may be exposed to counterparty risk through participation in various programs, including, but not limited to, lending its securities to third parties, cash sweep arrangements whereby the Portfolio's cash balance is invested in one or more types of cash management vehicles, as well as investments in, but not limited to, repurchase agreements, debt securities, and derivatives, including various types of swaps, futures and options. The Portfolio intends to enter into financial transactions with counterparties that Janus Capital believes to be creditworthy at the time of the transaction. There is always the risk that Janus Capital's analysis of a counterparty's creditworthiness is incorrect or may change due to market conditions. To the extent that the Portfolio focuses its transactions with a limited number of counterparties, it will have greater exposure to the risks associated with one or more counterparties.

Offsetting Assets and Liabilities
The Portfolio presents gross and net information about transactions that are either offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement with a designated counterparty, regardless of whether the transactions are actually offset in the Statement of Assets and Liabilities.

In order to better define its contractual rights and to secure rights that will help the Portfolio mitigate its counterparty risk, the Portfolio has entered into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between the Portfolio and a counterparty that governs OTC derivatives and forward foreign currency exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, in the event of a default and/or termination event, the Portfolio may offset with each counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. For financial reporting purposes, the Portfolio does not offset certain derivative financial instruments' payables and receivables and related collateral on the Statement of Assets and Liabilities.

The following table presents gross amounts of recognized assets and/or liabilities and the net amounts after deducting collateral that has been pledged by counterparties or has been pledged to counterparties (if applicable). For corresponding information grouped by type of instrument, see the Portfolio's Schedule of Investments.

Offsetting of Financial Assets and Derivative Assets

Counterparty	*Gross Amounts of Recognized Assets*	*Offsetting Asset or Liability[(a)]*	*Collateral Pledged[(b)]*	*Net Amount*
Deutsche Bank AG	$ 14,505,337	$ —	$ (14,505,337)	$ —

(a) Represents the amount of assets or liabilities that could be offset with the same counterparty under master netting or similar agreements that management elects not to offset on the Statement of Assets and Liabilities.

(b) Collateral pledged is limited to the net outstanding amount due to/from an individual counterparty. The actual collateral amounts pledged may exceed these amounts and may fluctuate in value.

Deutsche Bank AG acts as securities lending agent and a limited purpose custodian or subcustodian to receive and disburse cash balances and cash collateral, hold short-term investments, hold collateral, and perform other custodian functions. Securities on loan will be continuously secured by collateral which may consist of cash, U.S. Government securities, domestic and foreign short-term debt instruments, letters of credit, time deposits, repurchase agreements, money market mutual funds or other money market accounts, or such other collateral as permitted by the SEC. The value of the collateral must be at least 102% of the market value of the loaned securities that are denominated in U.S. dollars and 105% of the market value of the loaned securities that are not denominated in U.S. dollars. Upon receipt of cash collateral, Janus Capital intends to invest the cash collateral in a cash management vehicle for which Janus Capital serves as investment adviser, Janus Cash Collateral Fund LLC. Loaned securities and related collateral are marked-to-market each business day based upon the market value of the loaned securities at the close of business, employing the most recent available pricing information. Collateral levels are then adjusted based on this mark-to-market evaluation.

Real Estate Investing

The Portfolio may invest in equity and debt securities of real estate-related companies. Such companies may include those in the real estate industry or real estate-related industries. These securities may include common stocks, corporate bonds, preferred stocks, and other equity securities, including, but not limited to, mortgage-backed securities, real estate-backed securities, securities of REITs and similar REIT-like entities. A REIT is a trust that invests in real estate-related projects, such as properties, mortgage loans, and construction loans. REITs are generally categorized as equity, mortgage, or hybrid REITs. A REIT may be listed on an exchange or traded OTC.

Securities Lending

Under procedures adopted by the Trustees, the Portfolio may seek to earn additional income by lending securities to qualified parties. Deutsche Bank AG acts as securities lending agent and a limited purpose custodian or subcustodian to receive and disburse cash balances and cash collateral, hold short-term investments, hold collateral, and perform other custodian functions. The Portfolio may lend portfolio securities in an amount equal to up to 1/3 of its total assets as determined at the time of the loan origination. There is the risk of delay in recovering a loaned security or the risk of loss in collateral rights if the borrower fails financially. In addition, Janus Capital makes efforts to balance the benefits and risks from granting such loans. All loans will be continuously secured by collateral which may consist of cash, U.S. Government securities, domestic and foreign short-term debt instruments, letters of credit, time deposits, repurchase agreements, money market mutual funds or other money market accounts, or such other collateral as permitted by the

SEC. If the Portfolio is unable to recover a security on loan, the Portfolio may use the collateral to purchase replacement securities in the market. There is a risk that the value of the collateral could decrease below the cost of the replacement security by the time the replacement investment is made, resulting in a loss to the Portfolio.

Upon receipt of cash collateral, Janus Capital may invest it in affiliated or non-affiliated cash management vehicles, whether registered or unregistered entities, as permitted by the 1940 Act and rules promulgated thereunder. Janus Capital currently intends to invest the cash collateral in a cash management vehicle for which Janus Capital serves as investment adviser, Janus Cash Collateral Fund LLC. An investment in Janus Cash Collateral Fund LLC is generally subject to the same risks that shareholders experience when investing in similarly structured vehicles, such as the potential for significant fluctuations in assets as a result of the purchase and redemption activity of the securities lending program, a decline in the value of the collateral, and possible liquidity issues. Such risks may delay the return of the cash collateral and cause the Portfolio to violate its agreement to return the cash collateral to a borrower in a timely manner. As adviser to the Portfolio and Janus Cash Collateral Fund LLC, Janus Capital has an inherent conflict of interest as a result of its fiduciary duties to both the Portfolio and Janus Cash Collateral Fund LLC. Additionally, Janus Capital receives an investment advisory fee of 0.05% for managing Janus Cash Collateral Fund LLC, but it may not receive a fee for managing certain other affiliated cash management vehicles in which the Portfolio may invest, and therefore may have an incentive to allocate preferred investment opportunities to investment vehicles for which it is receiving a fee.

The value of the collateral must be at least 102% of the market value of the loaned securities that are denominated in U.S. dollars and 105% of the market value of the loaned securities that are not denominated in U.S. dollars. Loaned securities and related collateral are marked-to-market each business day based upon the market value of the loaned securities at the close of business, employing the most recent available pricing information. Collateral levels are then adjusted based on this mark-to-market evaluation.

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments. Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as “Affiliated securities lending income, net” on the Statement of Operations. As of June 30, 2016, securities lending transactions accounted for as secured borrowings with an overnight and continuous contractual maturity are $14,505,337. Gross amounts of recognized liabilities for securities lending (collateral received) as of June 30, 2016 is $14,828,833, resulting in the net amount due to the counterparty of $323,496.

3. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio’s base fee rate prior to any performance adjustment (expressed as an annual rate) is 0.64%.

The investment advisory fee rate is determined by calculating a base fee and applying a performance adjustment. The base fee rate is the same as the contractual investment advisory fee rate. The performance adjustment either increases or decreases the base fee depending on how well the Portfolio has performed relative to its benchmark index. The Portfolio's benchmark index used in the calculation is the Russell 1000® Growth Index.

The calculation of the performance adjustment applies as follows:

Investment Advisory Fee = Base Fee Rate +/- Performance Adjustment

The investment advisory fee rate paid to Janus Capital by the Portfolio consists of two components: (1) a base fee calculated by applying the contractual fixed rate of the advisory fee to the Portfolio’s average daily net assets during the previous month (“Base Fee Rate”), plus or minus (2) a performance-fee adjustment (“Performance Adjustment”) calculated by applying a variable rate of up to 0.15% (positive or negative) to the Portfolio’s average daily net assets during the applicable performance measurement period, which is generally the previous 36 months.

The Portfolio’s prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the period ended June 30, 2016, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.65%.

Janus Services LLC (“Janus Services”), a wholly-owned subsidiary of Janus Capital, is the Portfolio’s transfer agent. Effective May 1, 2016, Janus Services receives an administrative services fee at an annual rate of 0.05% of the average daily net assets of the Portfolio for arranging for the provision by participating insurance companies and qualified plan service providers of administrative services, including recordkeeping, subaccounting, order processing, or other shareholder services provided on behalf of contract holders or plan participants investing in the Portfolio. Other shareholder services may include the provision of order confirmations, periodic account statements, forwarding prospectuses, shareholder reports, and other materials to existing investors, and answering inquiries regarding accounts. Janus Services expects to use this entire fee to compensate insurance companies and qualified plan service providers for providing these services to their customers who invest in the Portfolio. Any unused portion will be reimbursed to the applicable share class at least annually.

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services related to the shares, except for out-of-pocket costs. These amounts are disclosed as "Other transfer agent fees and expenses" on the Statement of Operations.

Under a distribution and shareholder servicing plan (the "Plan") adopted in accordance with Rule 12b-1 under the 1940 Act, the Service Shares may pay the Trust's distributor, Janus Distributors LLC ("Janus Distributors"), a wholly-owned subsidiary of Janus Capital, a fee for the sale and distribution and/or shareholder servicing of the Service Shares at an annual rate of up to 0.25% of the average daily net assets of the Service Shares. Under the terms of the Plan, the Trust is authorized to make payments to Janus Distributors for remittance to insurance companies and qualified plan service providers as compensation for distribution and/or shareholder services performed by such entities. These amounts are disclosed as "12b-1 Distribution and shareholder servicing fees" on the Statement of Operations. Payments under the Plan are not tied exclusively to actual 12b-1 distribution and servicing fees, and the payments may exceed 12b-1 distribution and servicing fees actually incurred. If any of the Portfolio's actual 12b-1 distribution and servicing fees incurred during a calendar year are less than the payments made during a calendar year, the Portfolio will be refunded the difference. Refunds, if any, are included in "12b-1 Distribution fees and shareholder servicing fees" in the Statement of Operations.

Janus Capital furnishes certain administration, compliance, and accounting services for the Portfolio and is reimbursed by the Portfolio for certain of its costs in providing those services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). In addition, employees of Janus Capital and/or its affiliates may serve as officers of the Trust. The Portfolio also pays for salaries, fees, and expenses of certain Janus Capital employees and Portfolio officers, with respect to certain specified administration functions they perform on behalf of the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and compliance staff are shared with the Portfolio. Total compensation of $28,304 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2016. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2016 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the period ended June 30, 2016 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $20,150 were paid by the Trust to a Trustee under the Deferred Plan during the period ended June 30, 2016.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or nonaffiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or nonaffiliated money market funds or cash management pooled investment vehicles. The Portfolio is eligible to participate in the cash sweep program (the "Investing Funds"). As adviser, Janus Capital has an inherent conflict of interest because of its fiduciary duties to the affiliated money market funds or cash management pooled investment vehicles and the Investing Funds. Janus Cash Liquidity Fund LLC is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. Janus Cash Liquidity Fund LLC currently maintains a NAV of $1.00 per share and distributes income daily in a manner consistent with a registered product compliant with Rule 2a-7 under the 1940 Act. There are no restrictions on the Portfolio's ability to withdraw investments from Janus Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Cash Liquidity Fund LLC. The units of Janus Cash Liquidity Fund LLC are not charged any management fee, sales charge or service fee.

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the period ended June 30, 2016 can be found in a table located in the Notes to Schedule of Investments and Other Information.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital Management LLC in accordance with Rule 17a-7 under the Investment Company Act of 1940 ("Rule 17a-7"), when the transaction is consistent with the investment objectives and policies of the Portfolio and in accordance with the Internal Cross Trade Procedures adopted by the Trust's Board of Trustees. These procedures have been designed to ensure that any cross-trade of securities by the Portfolio from or to another fund or account that is or could be considered an affiliate of the Portfolio under certain limited circumstances by virtue of having a common investment adviser, common Officer, or common Trustee complies with Rule 17a-7. Under these procedures, each cross-trade is effected at the current market price to save costs where allowed. During the period ended June 30, 2016, the Portfolio engaged in cross trades amounting to $570,095 in purchases and $1,835,025 in sales, resulting in a net realized loss of $15,382. The net realized loss is included in "Investments and foreign currency transactions" within the "Net Realized and Unrealized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

4. Federal Income Tax

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses, and capital loss carryovers.

The Portfolio has elected to treat gains and losses on forward foreign currency contracts as capital gains and losses, if applicable. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2016 are noted below.

Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/depreciation on foreign currency translations. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 618,495,918	$168,201,204	$(19,522,769)	$ 148,678,435

5. Capital Share Transactions

	Period ended June 30, 2016		Year ended December 31, 2015	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	396,172	$13,600,635	1,146,883	$ 44,193,370
Reinvested dividends and distributions	1,192,492	37,062,653	1,601,927	57,445,111
Shares repurchased	(831,055)	(28,571,853)	(2,057,242)	(82,810,292)
Net Increase/(Decrease)	757,609	$22,091,435	691,568	$ 18,828,189
Service Shares:				
Shares sold	795,250	$26,421,404	1,444,396	$ 53,479,766
Reinvested dividends and distributions	2,187,564	65,123,788	2,961,444	102,554,820
Shares repurchased	(1,557,081)	(51,609,536)	(2,680,089)	(101,224,018)
Net Increase/(Decrease)	1,425,733	$39,935,656	1,725,751	$ 54,810,568

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2016, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, and in-kind transactions) was as follows:

Purchases of Securities	Proceeds from Sales of Securities	Purchases of Long-Term U.S. Government Obligations	Proceeds from Sales of Long-Term U.S. Government Obligations
$158,277,914	$ 197,968,366	$ -	$ -

7. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2016 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-0020 (toll free); (ii) on the Portfolio's website at janus.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janus.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Quarterly Portfolio Holdings

The Portfolio files its complete portfolio holdings (schedule of investments) with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days of the end of such fiscal quarter. The Portfolio's Form N-Q: (i) is available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) is available without charge, upon request, by calling Janus at 1-800-525-0020 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

In connection with their most recent consideration of those agreements for each Fund, the Trustees received and reviewed information provided by Janus Capital and the respective subadvisers in response to requests of the Trustees and their independent legal counsel. They also received and reviewed information and analysis provided by, and in response to requests of, their independent fee consultant. Throughout their consideration of the agreements, the Trustees were advised by their independent legal counsel. The Trustees met with management to consider the agreements, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 9, 2015, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from either January 1 or February 1, 2016 through January 1 or February 1, 2017, respectively, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee

for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

The Trustees concluded that the nature, extent and quality of the services provided by Janus Capital or the subadviser to each Fund were appropriate and consistent with the terms of the respective advisory and subadvisory agreements, and that, taking into account steps taken to address those Funds whose performance lagged that of their peers for certain periods, the Funds were likely to benefit from the continued provision of those services. They also concluded that Janus Capital and each subadviser had sufficient personnel, with the appropriate education and experience, to serve the Funds effectively and had demonstrated its ability to attract well-qualified personnel.

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2015, approximately 70% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2015, approximately 61% of the Funds were in the top two Broadridge quartiles of performance.

The Trustees considered the performance of each Fund, noting that performance may vary by share class, and noted the following:

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and its limited performance history.
- For Janus High-Yield Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.

Value Funds

- For Perkins International Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Perkins Global Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Large Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Select Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Perkins Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and INTECH had taken or were taking to improve performance.
- For INTECH U.S. Core Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Contrarian Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Enterprise Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Forty Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Growth and Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and in the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Research Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Triton Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Twenty Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Emerging Markets Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Real Estate Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Select Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus International Equity Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Overseas Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Allocation Portfolio – Moderate, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile-for the 12 months ended May 31, 2015.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.

In consideration of each Fund's performance, the Trustees concluded that, taking into account the factors relevant to performance, as well as other considerations, including steps taken to improve performance, the Fund's performance warranted continuation of the Fund's investment advisory and subadvisory agreement(s).

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers,

was below the mean management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 14% below the mean total expenses of their respective Broadridge Expense Group peers and 24% below the mean total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 15% below the mean management fees for their Expense Groups and 19% below the mean for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the mean total expenses for its Broadridge Expense Group peers and to mean total expenses for its Broadridge Expense Universe.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual fund level, Fund expenses were found to be reasonable relative to both Expense Group and Expense Universe benchmarks. Further, for certain Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to each set of investors in each share class in each selected Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Funds and share classes were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such Funds.

The Trustees considered the methodology used by Janus Capital and each subadviser in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds’ other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional and subadvised accounts; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) the average spread between management fees charged to the Funds and those charged to Janus Capital’s institutional accounts is reasonable relative to the average spreads seen in the industry; and (4) by one estimation methodology, the fee margins implied by Janus Capital’s subadvised fees when compared to its mutual fund fees are reasonable relative to the estimated fee margins in the industry and relative to estimated fee margins of fund managers using Janus Capital as a subadviser.

The Trustees considered the fees for each Fund for its fiscal year ended in 2014, and noted the following with regard to each Fund’s total expenses, net of applicable fee waivers (the Fund’s “total expenses”):

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that, although the Fund’s total expenses exceeded the peer group mean for certain share classes, overall the Fund’s total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund’s expenses, although this limit did not apply because the Fund’s total expenses were already below the applicable fee limit.

- For Janus Global Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus has contractually agreed to limit the Fund's expenses.
- For Janus Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group mean due to the Fund's management fee including other costs, such as custody and transfer agent services, while many funds in the peer group pay these expenses separately from their management fee. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

- For Perkins International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Global Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable.

- For Perkins Large Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Mid Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Perkins Select Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Perkins Value Plus Income Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For INTECH International Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Core Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for one share class. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Forty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

- For Janus Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Triton Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Twenty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Venture Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Select Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus International Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for its sole share class.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

The independent fee consultant found that, while assessing the reasonableness of expenses in light of Janus Capital's profits is dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons are limited in accuracy by differences in complex size, business mix, institutional account orientation, and other factors, after accepting these limitations, the level of profit earned by Janus Capital from managing the Funds is reasonable.

The Trustees concluded that the management fees payable by each Fund to Janus Capital and its affiliates, as well as the fees paid by Janus Capital to the subadvisers of subadvised Funds, were reasonable in relation to the nature, extent, and quality of the services provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies, the fees Janus Capital and the subadvisers charge to other clients, and, as applicable, the impact of fund performance on management fees payable by the Funds. The Trustees also concluded that each Fund's total expenses were reasonable, taking into account the size of the Fund, the quality of services

provided by Janus Capital and any subadviser, the investment performance of the Fund, and any expense limitations agreed to or provided by Janus Capital.

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted that their independent fee consultant provided an analysis of economies of scale, which included discussion of analysis from prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 85% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 80% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale considered in prior years, and their conflicting results, its analyses could not confirm or deny the existence of economies of scale in the Janus complex. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Fund. The Trustees concluded that Janus Capital's and the subadvisers' use of these types of client commission arrangements to obtain proprietary and third-party research products and services was consistent with regulatory requirements and guidelines and was likely to benefit each Fund. The Trustees also concluded that, other than the services provided by Janus Capital and its affiliates and subadvisers pursuant to the agreements and the fees to be paid by each Fund therefor, the Funds and Janus Capital and the subadvisers may potentially benefit from their relationship with each other in other ways. They concluded that Janus Capital and/or the subadvisers benefits from the receipt of research products and services acquired through commissions paid on portfolio transactions of the Funds and that the Funds benefit from Janus Capital's and/or the subadvisers' receipt of those products and services as well as research products and services acquired through commissions paid by other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Fund could attract other business to Janus Capital, the subadvisers or other Janus funds, and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Funds.

Janus Aspen Forty Portfolio
Useful Information About Your Portfolio Report (unaudited)

Management Commentary

The Management Commentary in this report includes valuable insight as well as statistical information to help you understand how your Portfolio's performance and characteristics stack up against those of comparable indices.

If the Portfolio invests in foreign securities, this report may include information about country exposure. Country exposure is based primarily on the country of risk. A company may be allocated to a country based on other factors such as location of the company's principal office, the location of the principal trading market for the company's securities, or the country where a majority of the company's revenues are derived.

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2016. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus in general.

Performance Overviews

Performance overview graphs compare the performance of a hypothetical $10,000 investment in the Portfolio with one or more widely used market indices. When comparing the performance of the Portfolio with an index, keep in mind that market indices are not available for investment and do not reflect deduction of expenses.

Average annual total returns are quoted for a Portfolio with more than one year of performance history. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period. Average annual total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Cumulative total returns are quoted for a Portfolio with less than one year of performance history. Cumulative total return is the growth or decline in value of an investment over time, independent of the period of time involved. Cumulative total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Pursuant to federal securities rules, expense ratios shown in the performance chart reflect subsidized (if applicable) and unsubsidized ratios. The total annual fund operating expenses ratio is gross of any fee waivers, reflecting the Portfolio's unsubsidized expense ratio. The net annual fund operating expenses ratio (if applicable) includes contractual waivers of Janus Capital and reflects the Portfolio's subsidized expense ratio. Ratios may be higher or lower than those shown in the "Financial Highlights" in this report.

Schedule of Investments

Following the performance overview section is the Portfolio's Schedule of Investments. This schedule reports the types of securities held in the Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. Government obligations, etc.) and by industry classification (banking, communications, insurance, etc.). Holdings are subject to change without notice.

The value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

If the Portfolio invests in foreign securities, it will also provide a summary of investments by country. This summary reports the Portfolio exposure to different countries by providing the percentage of securities invested in each country. The country of each security represents the country of risk. The Portfolio's Schedule of Investments relies upon the industry group and country classifications published by Barclays and/or MSCI Inc.

Tables listing details of individual forward currency contracts, futures, written options, swaptions, and swaps follow the Portfolio's Schedule of Investments (if applicable).

Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolio on the last day of the reporting period.

The Portfolio's assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on securities owned, and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolio's liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid, and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as unrealized gain or loss on forward currency contracts.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolio's net assets. Because the Portfolio must distribute substantially all earnings, you will notice that a significant portion of net assets is shareholder capital.

The last section of this statement reports the net asset value ("NAV") per share on the last day of the reporting period. The NAV is calculated by dividing the Portfolio's net assets for each share class (assets minus liabilities) by the number of shares outstanding.

Statement of Operations

This statement details the Portfolio's income, expenses, realized gains and losses on securities and currency transactions, and changes in unrealized appreciation or depreciation of Portfolio holdings.

The first section in this statement, entitled "Investment Income," reports the dividends earned from securities and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses incurred by the Portfolio, including the advisory fee paid to the investment adviser, transfer agent fees and expenses, and printing and postage for mailing statements, financial reports and prospectuses. Expense offsets and expense reimbursements, if any, are also shown.

The last section lists the amounts of realized gains or losses from investment and foreign currency transactions, and changes in unrealized appreciation or depreciation of investments and foreign currency-denominated assets and liabilities. The Portfolio will realize a gain (or loss) when it sells its position in a particular security. A change in unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolio during the reporting period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

Statements of Changes in Net Assets

These statements report the increase or decrease in the Portfolio's net assets during the reporting period. Changes in the Portfolio's net assets are attributable to investment operations, dividends and distributions to investors, and capital share transactions. This is important to investors because it shows exactly what caused the Portfolio's net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolio's investment operations. The Portfolio's net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends and/or distributions in cash, money is taken out of the Portfolio to pay the dividend and/or distribution. If investors reinvest their dividends and/or distributions, the Portfolio's net assets will not be affected. If you compare the Portfolio's "Net Decrease from Dividends and Distributions" to "Reinvested Dividends and Distributions," you will notice that dividends and distributions have little effect on the Portfolio's net assets. This is because the majority of the Portfolio's investors reinvest their dividends and/or distributions.

The reinvestment of dividends and distributions is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolio through purchases or withdrawals via redemptions. The Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from the Portfolio.

Financial Highlights

This schedule provides a per-share breakdown of the components that affect the Portfolio's NAV for current and past reporting periods as well as total return, asset size, ratios, and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income/(loss) per share. Following is the per share total of net gains/(losses), realized and unrealized. Per share dividends and distributions to investors are then subtracted to arrive at the NAV per share at the end of the

period. The next line reflects the total return for the period. Also included are ratios of expenses and net investment income to average net assets.

The Portfolio's expenses may be reduced through expense offsets and expense reimbursements. The ratios shown reflect expenses before and after any such offsets and reimbursements.

The ratio of net investment income/(loss) summarizes the income earned less expenses, divided by the average net assets of the Portfolio during the reporting period. Do not confuse this ratio with the Portfolio's yield. The net investment income ratio is not a true measure of the Portfolio's yield because it does not take into account the dividends distributed to the Portfolio's investors.

The next figure is the portfolio turnover rate, which measures the buying and selling activity in the Portfolio. Portfolio turnover is affected by market conditions, changes in the asset size of the Portfolio, fluctuating volume of shareholder purchase and redemption orders, the nature of the Portfolio's investments, and the investment style and/or outlook of the portfolio manager(s) and/or investment personnel. A 100% rate implies that an amount equal to the value of the entire portfolio was replaced once during the fiscal year; a 50% rate means that an amount equal to the value of half the portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the entire portfolio is traded every six months.

Janus Aspen Forty Portfolio
Shareholder Meeting (unaudited)

A Special Meeting of Shareholders of the Portfolio was held on June 14, 2016. At the meeting, the following matter was voted on and approved by the Shareholders. Each whole or fractional vote reported represents one whole or fractional dollar of net asset value held on the record date for the meeting. The results of the Special Meeting of Shareholders are noted below.

Proposal
To elect eight Trustees, each of whom is considered "independent."

		Number of Votes ($)		
Trustees	*Record Date Votes ($)*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	7,477,409,597.098	6,576,576,690.332	262,206,698.204	6,838,783,388.536
William D. Cvengros	7,477,409,597.098	6,565,725,463.575	273,057,924.961	6,838,783,388.536
Raudline Etienne	7,477,409,597.098	6,560,661,215.330	278,122,173.206	6,838,783,388.536
William F. McCalpin	7,477,409,597.098	6,572,385,644.563	266,397,743.973	6,838,783,388.536
Gary A. Poliner	7,477,409,597.098	6,576,207,507.849	262,575,880.687	6,838,783,388.536
James T. Rothe	7,477,409,597.098	6,559,365,918.898	279,417,469.638	6,838,783,388.536
William D. Stewart	7,477,409,597.098	6,558,013,404.302	280,769,984.235	6,838,783,388.536
Linda S. Wolf	7,477,409,597.098	6,565,131,501.186	273,651,887.350	6,838,783,388.536

	Votes (%)			Percentage Voted (%)		
Trustees	*Affirmative*	*Withheld*	*Total*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	87.953	3.507	91.459	96.166	3.834	100.000
William D. Cvengros	87.807	3.652	91.459	96.007	3.993	100.000
Raudline Etienne	87.740	3.719	91.459	95.933	4.067	100.000
William F. McCalpin	87.897	3.563	91.459	96.105	3.895	100.000
Gary A. Poliner	87.948	3.512	91.459	96.160	3.840	100.000
James T. Rothe	87.722	3.737	91.459	95.914	4.086	100.000
William D. Stewart	87.704	3.755	91.459	95.894	4.106	100.000
Linda S. Wolf	87.800	3.660	91.459	95.999	4.001	100.000

Janus Aspen Forty Portfolio
Notes

Janus provides access to a wide range of investment disciplines.

Alternative
Janus alternative funds seek to deliver strong risk-adjusted returns over a full market cycle with lower correlation to equity markets than traditional investments.

Asset Allocation
Janus' asset allocation funds utilize our fundamental, bottom-up research to balance risk over the long term. From fund options that meet investors' risk tolerance and objectives to a method that incorporates non-traditional investment choices to seek non-correlated sources of risk and return, Janus' asset allocation funds aim to allocate risk more effectively.

Fixed Income
Janus fixed income funds attempt to provide less risk relative to equities while seeking to deliver a competitive total return through high current income and appreciation. Janus money market funds seek capital preservation and liquidity with current income as a secondary objective.

Global & International
Janus global and international funds seek to leverage Janus' research capabilities by taking advantage of inefficiencies in foreign markets, where accurate information and analytical insight are often at a premium.

Growth & Core
Janus growth funds focus on companies believed to be the leaders in their respective industries, with solid management teams, expanding market share, margins and efficiencies. Janus core funds seek investments in more stable and predictable companies. Our core funds look for a strategic combination of steady growth and, for certain funds, some degree of income.

Mathematical
Our mathematical funds seek to outperform their respective indices while maintaining a risk profile equal to or lower than the index itself. Managed by INTECH® (a Janus subsidiary), these funds use a mathematical process in an attempt to build a more "efficient" portfolio than the index.

Value
Our value funds, managed by Perkins® (a Janus subsidiary), seek to identify companies with favorable reward to risk characteristics by conducting rigorous downside analysis before determining upside potential.

For more information about our funds, contact your investment professional or go to janus.com/variable-insurance.

JANUS®

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus at 877.33JANUS (52687) or download the file from janus.com/variable-insurance. Read it carefully before you invest or send money.

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SEMIANNUAL REPORT
June 30, 2016

Janus Aspen Balanced Portfolio

Janus Aspen Series

HIGHLIGHTS

- Portfolio management perspective
- Investment strategy behind your portfolio
- Portfolio performance, characteristics and holdings

JANUS®

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Janus Aspen Balanced Portfolio

Janus Aspen Balanced Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We believe a dynamic approach to asset allocation that leverages our bottom-up, fundamental equity and fixed income research will allow us to outperform our peers over time. Our integrated equity and fixed income research team seeks an optimal balance of asset class opportunities across market cycles.


Jeremiah Buckley
co-portfolio manager


Marc Pinto
co-portfolio manager


Mayur Saigal
co-portfolio manager


Darrell Watters
co-portfolio manager

PERFORMANCE SUMMARY

Janus Aspen Balanced Portfolio's Institutional Shares and Service Shares returned -0.43% and -0.57%, respectively, for the six-month period ended June 30, 2016. That compares with 3.84% for the Portfolio's primary benchmark, the S&P 500 Index, and 5.31% for the Portfolio's secondary benchmark, the Barclays U.S. Aggregate Bond Index. The Balanced Index, an internally calculated benchmark composed of a 55% weighting in the S&P 500 Index and a 45% weighting in the Barclays U.S. Aggregate Bond Index, returned 4.60%.

INVESTMENT ENVIRONMENT

The year began with concerns over sluggish economic growth and the possibility of recession weighing heavily on global markets. Slower-than-expected growth in China, the implications of negative interest rates and weakness in commodities-related sectors also dragged markets down through early February. In a sharp reversal, risk assets rallied and crude oil prices reset within a higher trading band for much of the remaining period. By early April, a more optimistic outlook was in favor. Late in June, however, market participants met with two surprises.

First, June's probable interest rate hike by the Federal Reserve (Fed) was derailed by a weak employment report from May. Questions about the health of the U.S. economy resurfaced, and the Fed lowered its projection for future interest rate hikes. June's second surprise came from Europe, when voters in the UK opted to leave the European Union (EU). Risk assets tumbled immediately after the unexpected news, the dollar rose and yields on safe-haven government bonds fell. In the final days of the period, however, credit spreads and U.S. equities recaptured much of their post-Brexit slide.

The U.S. Treasury curve flattened over the last six months, as yields fell significantly across most tenors. The combination of Brexit concerns, slowing global growth and negative interest rate policies abroad triggered a rotation into U.S. Treasurys. The yield on the 10-year note fell to 1.47% at the end of June, from 2.27% at the end of 2015. Both high-yield and investment-grade corporate credit spreads compressed during the period.

PERFORMANCE DISCUSSION

The equity allocation of the Portfolio ended the period roughly in line with where it started at approximately 60% compared to 61%. The fixed income portion was approximately 39% at the end of June compared to 36%. Our positioning reflects our view that on a risk-adjusted basis, equities continue to present more attractive opportunities relative to fixed income.

The Portfolio's equity sleeve underperformed its benchmark, the S&P 500 Index. Value equities outperformed growth over the previous six months, which created a headwind for our growth tilt. On a sector basis, our health care exposure weighed on relative performance. Negative sentiment surrounded the health care sector early in the year, due in large part to political rhetoric about controlling drug prices. Additionally, questionable accounting and drug pricing tactics at a well-known specialty pharmaceutical company spurred a sell-off in specialty pharmaceutical and biotech stocks in the first half of the period. Security selection in financials also detracted on a relative basis; some of our exposure was negatively impacted by the large decline in rates during the period. Contributing to relative performance was our security selection in consumer staples.

On an individual basis, Allergan was our largest detractor. Stock for the specialty pharmaceutical company struggled with the sector early in the period and traded down when the proposed merger between Allergan and Pfizer fell apart. We believe the sale of the company's generics business to Teva Pharmaceuticals will take place and think the move will strengthen Allergan's balance sheet and increase capital return potential. We also like the company's product mix, much of which is not subject to government reimbursement.

Regeneron Pharmaceuticals was another detractor. In addition to the general headwinds impacting biotech companies, slower than expected sales for one of its drugs controlling cholesterol weighed on the stock, as did news that the company lost a court case with a competitor over patent infringement for a drug. We exited our position during the period.

Norwegian Cruise Line also detracted from results. The stock fell as geopolitical and macroeconomic concerns dampened expectations on demand for future discretionary spending, such as cruising. Strengthening oil prices also contributed to negative sentiment around future margins, although we believe the fuel environment is still very favorable. We remain encouraged by Norwegian's newer fleet and innovative portfolio of on-board offerings which we believe should increase customer spending over time. Additionally, our outlook for the cruise industry remains positive. Increasing global demand in a number of markets has improved the overall supply/demand relationship, helping to enhance the industry's outlook for higher returns on capital.

While the aforementioned stocks detracted from performance, we were pleased by the results of other companies in the portfolio. Dollar Tree was the top individual contributor. The stock was up after the company reported strong earnings and continued to show progress in integrating Family Dollar. We continue to be encouraged by the opportunity for Dollar Tree's management team to improve margins for the former Family Dollar franchise. Additionally, we believe dollar stores offering consumers low price points remain well positioned in a relatively weak economic environment.

Altria Group also performed well. Volume growth for the tobacco company has continued to hold up relatively well for the industry, and the company has maintained pricing discipline and been able to grow profits. We like the holding within this portfolio for the high level of free cash flow returned to shareholders.

The Hershey Company was another leading contributor to performance. The stock advanced late in the period on news that Mondelez International, a confectionery, food, and beverage conglomerate, had sent Hershey a takeover bid during the month. Although Hershey rejected the bid, we believe that this action highlights the value of its brand and position in the U.S. market.

The Portfolio's fixed income sleeve underperformed its benchmark, the Barclays U.S. Aggregate Bond Index, largely due to its exposure to corporate credits. Positioning in investment-grade corporate credit weighed on relative results; underperformance was largely driven by shorter duration yield curve positioning, given the significant rally in longer term securities. Our out-of-index allocation to high-yield corporate credit also weighed on relative results. Our high-yield security selection, which we consider to be more defensive in nature, did not keep up with the lower quality rally since credit spreads peaked near mid-February.

On a credit sector basis, security selection in banking was a relative detractor. Macro-economic challenges, including slower gross domestic product (GDP) growth globally and shifting monetary policy, weighed on the banking sector in several regions, as evidenced by the early 2016 sell-off in banking-related securities. Banking credits managed to retrace some of their losses by June's end; however, Royal Bank of Scotland, an individual detractor from relative performance, faced additional challenges – mainly in the form of the UK's vote to leave the EU. While we are mindful of the uncertainties around the future of the UK and the EU, we continue to like the company's improving asset quality, capital building and plans for restructuring. Albeit the key points of our thesis will likely take longer to play out in the face of slower GDP growth and generally weaker capital markets.

The midstream energy and electric utilities sectors also detracted from relative performance. Our more defensive security selection in midstream energy weighed on results; we seek quality companies with best-in-class assets and management teams committed to balance sheet strength that we believe can prosper in varying crude oil price environments. Investor demand for U.S.-based defensive business models boosted electric utilities during the period, and our underweight allocation detracted. The dip in rates gave further support to utilities as the longer term nature of the sector's debt benefited from the decline.

Relative credit sector contributors included security selection and an overweight allocation in independent energy. Holdings in oil field services and building materials also contributed on a relative basis. Given recent dislocations in the energy sector, we added energy exposure where we were able to identify strong risk-adjusted return potential in what we believe to be low-risk energy issuers with solid balance sheets. Energy performed well on the back of higher crude oil prices later in the period, and our positioning in independent energy and oil field services aided results.

ConocoPhillips was one of our top relative contributors. We believe the multinational energy corporation can succeed in a lower for longer oil price environment with its diversified production mix and broad geographic footprint. We like the company's high-quality exploration and production assets and strong management team.

On an asset class basis, our shorter duration positioning in commercial mortgage-backed securities (CMBS) was a drag on relative performance, as was our cash position. Cash is not used as a strategy within the Portfolio but is a residual of our fundamental, bottom-up investment process. Our positioning in longer dated Treasurys, which we utilize to hedge our corporate credit exposure, benefited from curve flattening and aided relative performance. The prepayment resistant nature of our U.S. mortgage-backed securities (MBS) also proved beneficial in a falling rate environment. We focus on higher quality specified pools with higher coupons and less negative convexity than the positions in the index, making them less vulnerable to declining rates.

Please see the Derivative Instruments section in the "Notes to Financial Statements" for a discussion of derivatives used by the Portfolio.

OUTLOOK

We believe global growth will be under pressure following the UK's unexpected decision to split from the EU; the short-term outlook for Europe and the UK looks particularly challenged. The vote has also increased the likelihood of additional central bank stimulus from the Bank of England and the European Central Bank, in our view. The Fed, which just a few months ago was signaling the possibility of a summer rate hike, likely won't raise rates again in 2016. Moreover, we anticipate continued volatility in the market given the upcoming U.S. election.

Although the U.S. economy has shown some recent signs of weakness – most notably the much weaker-than-expected May nonfarm payrolls number – the U.S. consumer appears to have remained resilient. Therefore, we are positioning the equity sleeve to capitalize on this strength and to avoid the more economically sensitive sectors. In general, we are looking for defensive areas with decent demand and the ability to grow regardless of global macro events. Our outlook for the energy sector remains cautious, given the persistent oversupply and the likelihood of a stronger dollar in the wake of the Brexit vote. Given the consistent growth in health care, we intend to maintain our modest overweight allocation to the sector. Overall, we favor innovative companies with products and services that enable them to take market share regardless of overall macroeconomic trends.

Within the fixed income sleeve, we believe that domestic opportunities continue to look more favorable than those abroad. U.S. yields may be low, but they are comparatively higher than most developed countries – and positive, whereas a large percentage of the world's sovereign debt now has negative yields. This dynamic has resulted in strong global demand for U.S credit; however, we believe that caution in credit is warranted. Asset values in the U.S. are stretched, in our opinion, and we anticipate some weakness in second quarter revenue and earnings growth which will make current valuations more difficult to justify. Aggressive re-leveraging of corporate balance sheets, 2015's record M&A activity and multiple large leveraged buyout announcements this year suggest we remain in the late innings of the credit cycle. It is feasible that further stimulus from the world's major central banks – to help markets cope with Brexit – may support credit in the short term; however, we are mindful that markets can go only so far on accommodative monetary policy and little in the way of accelerated fundamentals.

We foresee range bound spreads in the latter half of 2016. Volatility will likely remain elevated, and break-evens are tight, making security avoidance, in our opinion, all the more important in the months to come. Our Treasury positioning is concentrated further out on the curve to hedge our credit exposure, while in corporate credit we continue to favor shorter- to intermediate-term issuance in which we believe we have a clearer insight on the issuers' fundamentals and ability to pay down debt. Our defensive posture in the fixed income sleeve remains intact, as we seek to deliver on our central tenets of capital preservation and strong risk-adjusted returns.

Thank you for your investment in Janus Aspen Balanced Portfolio.

Janus Aspen Balanced Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Top Performers – Equity Holdings	Contribution	5 Bottom Performers - Equity Holdings	Contribution
Dollar Tree, Inc.	0.56%	Allergan PLC	-0.95%
Altria Group, Inc.	0.51%	Regeneron Pharmaceuticals, Inc.	-0.48%
Hershey Co.	0.48%	Norwegian Cruise Line Holdings, Ltd.	-0.46%
Bristol-Myers Squibb Co.	0.36%	NIKE, Inc. - Class B	-0.43%
Honeywell International, Inc.	0.30%	MasterCard, Inc. - Class A	-0.39%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Consumer Staples	0.42%	6.01%	10.43%
Other**	0.20%	1.86%	0.00%
Industrials	-0.23%	10.26%	10.09%
Telecommunication Services	-0.45%	0.17%	2.71%
Utilities	-0.58%	0.00%	3.37%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Health Care	-1.44%	19.71%	14.71%
Financials	-1.17%	16.56%	15.90%
Information Technology	-1.01%	19.82%	20.33%
Consumer Discretionary	-0.96%	20.81%	12.77%
Energy	-0.78%	0.00%	6.88%

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

* Based on sector classification according to the Global Industry Classification Standard ("GICS") codes, which are the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

** Not a GICS classified sector.

Janus Aspen Balanced Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Largest Equity Holdings - (% of Net Assets)

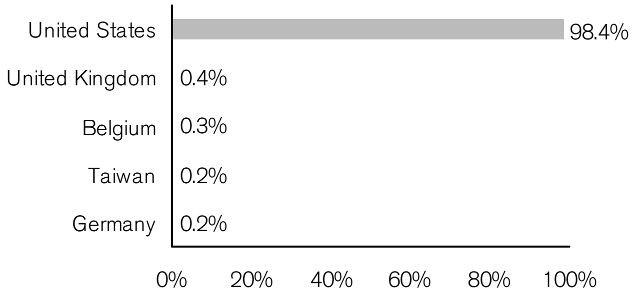
Microsoft Corp.	
Software	2.7%
Bristol-Myers Squibb Co.	
Pharmaceuticals	2.5%
Amgen, Inc.	
Biotechnology	2.5%
MasterCard, Inc. - Class A	
Information Technology Services	2.4%
Boeing Co.	
Aerospace & Defense	2.4%
	12.5%

Asset Allocation - (% of Net Assets)

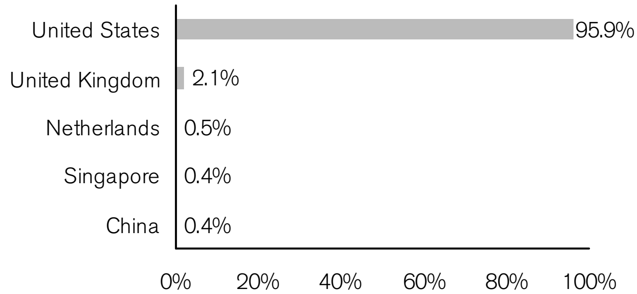
Common Stocks	59.8%
Corporate Bonds	15.3%
U.S. Treasury Notes/Bonds	10.4%
Mortgage-Backed Securities	9.7%
Asset-Backed/Commercial Mortgage-Backed Securities	2.6%
Bank Loans and Mezzanine Loans	0.8%
Investment Companies	0.5%
Preferred Stocks	0.5%
Other	0.4%
	100.0%

Top Country Allocations - Long Positions - (% of Investment Securities)

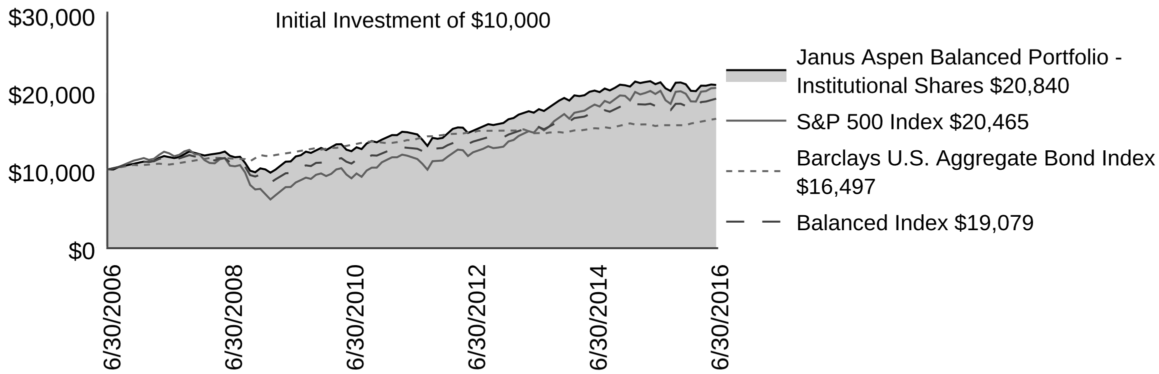
As of June 30, 2016



As of December 31, 2015



Janus Aspen Balanced Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2016	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2016 prospectuses: Total Annual Fund Operating Expenses
Institutional Shares	-0.43%	-0.48%	7.35%	7.62%	9.58%	0.63%
Service Shares	-0.57%	-0.73%	7.08%	7.35%	9.41%	0.89%
S&P 500 Index	3.84%	3.99%	12.10%	7.42%	8.98%	
Barclays U.S. Aggregate Bond Index	5.31%	6.00%	3.76%	5.13%	5.53%	
Balanced Index	4.60%	5.15%	8.49%	6.67%	7.69%	
Morningstar Quartile - Institutional Shares	-	3rd	1st	1st	1st	
Morningstar Ranking - based on total returns for Allocation - 50% to 70% Equity Funds	-	517/924	191/796	18/622	15/255	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 877.33JANUS(52687) or visit janus.com/variable-insurance.

A Portfolio's performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a Portfolio may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each Portfolio has different risks. Please see a Janus prospectus for more information about risks, portfolio holdings and other details.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Returns shown would have been lower had they included insurance charges.

Returns include reinvestment of all dividends and distributions and do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares. The returns do not include adjustments in accordance with generally accepted accounting principles required at the period end for financial reporting purposes.

See Financial Highlights for actual expense ratios during the reporting period.

See important disclosures on the next page.

Janus Aspen Balanced Portfolio (unaudited)
Performance

Performance for Service Shares prior to December 31, 1999 reflects the performance of Institutional Shares, adjusted to reflect the expenses of Service Shares.

Ranking is for the share class shown only; other classes may have different performance characteristics.

There is no assurance that the investment process will consistently lead to successful investing.

See Notes to Schedule of Investments and Other Information for index definitions.

A Portfolio's holdings may differ significantly from the securities held in an index. An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

See “Useful Information About Your Portfolio Report.”

Effective April 1, 2016, Jeremiah Buckley, Marc Pinto, Mayur Saigal and Darrell Watters are Co-Portfolio Managers of the Portfolio.

*The Portfolio’s inception date – September 13, 1993

Janus Aspen Balanced Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual 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 example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these columns, 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 appropriate column for your share class under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio'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 Portfolio 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. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as any charges at the separate account level or contract level. These fees are fully described in the Portfolio's prospectuses. Therefore, the hypothetical examples are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Net Annualized Expense Ratio (1/1/16 - 6/30/16)
Institutional Shares	$1,000.00	$995.70	$3.03	$1,000.00	$1,021.83	$3.07	0.61%
Service Shares	$1,000.00	$994.30	$4.26	$1,000.00	$1,020.59	$4.32	0.86%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). Expenses in the examples include the effect of applicable fee waivers and/or expense reimbursements, if any. Had such waivers and/or reimbursements not been in effect, your expenses would have been higher. Please refer to the Notes to Financial Statements or the Portfolio's prospectuses for more information regarding waivers and/or reimbursements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – 2.6%		
AmeriCredit Automobile Receivables 2016-1, 3.5900%, 2/8/22	$1,467,000	$1,506,064
AmeriCredit Automobile Receivables Trust 2012-4, 3.8200%, 2/10/20 (144A)	665,000	670,650
AmeriCredit Automobile Receivables Trust 2013-4, 3.3100%, 10/8/19	523,000	532,005
AmeriCredit Automobile Receivables Trust 2015-2, 3.0000%, 6/8/21	990,000	1,001,556
AmeriCredit Automobile Receivables Trust 2016-2, 3.6500%, 5/9/22	998,000	1,023,691
Applebee's Funding LLC / IHOP Funding LLC, 4.2770%, 9/5/44 (144A)	5,890,000	5,994,693
Aventura Mall Trust 2013-AVM, 3.8674%, 12/5/32 (144A)‡	1,252,000	1,255,608
Banc of America Commercial Mortgage Trust 2006-6, 5.4210%, 10/10/45	1,187,057	1,183,358
Banc of America Commercial Mortgage Trust 2007-3, 5.7231%, 6/10/49‡	782,325	786,277
CGBAM Commercial Mortgage Trust 2014-HD, 3.4421%, 2/15/31 (144A)‡	425,000	399,902
CKE Restaurant Holdings, Inc., 4.4740%, 3/20/43 (144A)	2,737,698	2,739,871
COBALT CMBS Commercial Mortgage Trust 2007-C2, 5.5680%, 4/15/47‡	391,743	388,793
COMM 2007-C9 Mortgage Trust, 5.6500%, 12/10/49‡	927,000	939,719
Commercial Mortgage Trust 2007-GG11, 5.8670%, 12/10/49‡	634,573	656,436
Core Industrial Trust 2015-TEXW, 3.9770%, 2/10/34 (144A)‡	1,268,000	1,206,236
Domino's Pizza Master Issuer LLC, 5.2160%, 1/25/42 (144A)	1,198,599	1,233,598
Domino's Pizza Master Issuer LLC, 3.4840%, 10/25/45 (144A)	2,627,795	2,669,368
Freddie Mac Structured Agency Credit Risk Debt Notes, 2.6533%, 3/25/25‡	1,641,000	1,647,742
FREMF 2010 K-SCT Mortgage Trust, 2.0000%, 1/25/20 (144A)§	1,139,171	1,056,357
GAHR Commercial Mortgage Trust 2015-NRF, 3.4949%, 12/15/34 (144A)‡	625,000	622,121
GS Mortgage Securities Corp. II, 3.5495%, 12/10/27 (144A)‡	1,519,000	1,453,843
GS Mortgage Securities Corp. Trust 2013-NYC5, 3.7706%, 1/10/30 (144A)‡	622,000	618,310
Hilton USA Trust 2013-HLT, 4.6017%, 11/5/30 (144A)‡	868,000	873,453
JP Morgan Chase Commercial Mortgage Securities Trust 2015-COSMO, 2.2421%, 1/15/32 (144A)‡	850,000	844,134
JP Morgan Chase Commercial Mortgage Securities Trust 2015-COSMO, 4.3921%, 1/15/32 (144A)‡	733,000	722,427
JP Morgan Chase Commercial Mortgage Securities Trust 2015-SGP, 3.1921%, 7/15/36 (144A)‡	386,000	385,759
JP Morgan Chase Commercial Mortgage Securities Trust 2015-SGP, 4.9421%, 7/15/36 (144A)‡	1,375,000	1,362,955
JP Morgan Chase Commercial Mortgage Securities Trust 2015-UES, 3.7417%, 9/5/32 (144A)‡	912,000	878,007
LB-UBS Commercial Mortgage Trust 2006-C1, 5.2760%, 2/15/41‡	2,335,425	2,312,136
LB-UBS Commercial Mortgage Trust 2007-C1, 5.4840%, 2/15/40	907,785	912,767
LB-UBS Commercial Mortgage Trust 2007-C2, 5.4930%, 2/15/40‡	555,350	563,304
LB-UBS Commercial Mortgage Trust 2007-C7, 6.4490%, 9/15/45‡	797,101	797,359
Santander Drive Auto Receivables Trust 2012-6, 2.5200%, 9/17/18	608,000	610,830
Santander Drive Auto Receivables Trust 2013-4, 4.6700%, 1/15/20 (144A)	1,837,000	1,857,637
Santander Drive Auto Receivables Trust 2013-A, 4.7100%, 1/15/21 (144A)	979,000	1,006,262
Santander Drive Auto Receivables Trust 2015-1, 3.2400%, 4/15/21	1,039,000	1,054,637
Santander Drive Auto Receivables Trust 2015-4, 3.5300%, 8/16/21	1,779,000	1,836,382
Starwood Retail Property Trust 2014-STAR, 2.9421%, 11/15/27 (144A)‡	589,000	575,270
Starwood Retail Property Trust 2014-STAR, 3.6921%, 11/15/27 (144A)‡	1,624,000	1,535,148
Starwood Retail Property Trust 2014-STAR, 4.5921%, 11/15/27 (144A)‡	861,000	802,179
Taco Bell Funding LLC, 3.8320%, 5/25/46 (144A)	1,986,000	2,010,229
Wachovia Bank Commercial Mortgage Trust Series 2007-C30, 5.3830%, 12/15/43	1,586,086	1,613,498
Wachovia Bank Commercial Mortgage Trust Series 2007-C31, 5.6600%, 4/15/47‡	3,311,572	3,318,933
Wachovia Bank Commercial Mortgage Trust Series 2007-C33, 6.1474%, 2/15/51‡	1,712,554	1,698,396
Wachovia Bank Commercial Mortgage Trust Series 2007-C34, 6.1407%, 5/15/46‡	615,799	609,646
Wells Fargo Commercial Mortgage Trust 2014-TISH, 3.1921%, 1/15/27 (144A)‡	502,000	477,216
Wells Fargo Commercial Mortgage Trust 2014-TISH, 2.6921%, 2/15/27 (144A)‡	694,000	659,012
Wells Fargo Commercial Mortgage Trust 2014-TISH, 3.6921%, 2/15/27 (144A)‡	251,000	240,591
Wendy's Funding LLC 2015-1, 3.3710%, 6/15/45 (144A)	2,905,048	2,921,025
Total Asset-Backed/Commercial Mortgage-Backed Securities (cost $62,430,138)		62,065,390
Bank Loans and Mezzanine Loans – 0.8%		
Communications – 0.4%		
Charter Communications Operating LLC, 3.0000%, 7/1/20‡	923,620	916,120
Charter Communications Operating LLC, 3.0000%, 1/3/21‡	1,384,432	1,375,433
Charter Communications Operating LLC, 3.5000%, 1/24/23‡	2,390,355	2,390,368

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares or Principal Amounts	Value
Bank Loans and Mezzanine Loans – (continued)		
Communications – (continued)		
Level 3 Financing, Inc., 3.5000%, 5/31/22‡	$1,838,000	$1,829,729
Nielsen Finance LLC, 0%, 4/15/21(a),‡	120,000	120,150
T-Mobile USA, Inc., 3.5000%, 11/9/22‡	1,837,747	1,842,635
Tribune Media Co., 3.7500%, 12/27/20‡	813,414	810,364
		9,284,799
Consumer Cyclical – 0.2%		
Aramark Services, Inc., 3.2500%, 9/7/19‡	1,358,132	1,358,132
Hilton Worldwide Finance LLC, 3.5000%, 10/26/20‡	1,847,000	1,847,000
KFC Holding Co., 0%, 6/16/23(a),‡	231,000	231,000
PTL Acquisition, Inc., 0%, 5/13/21(a),‡	917,000	916,239
		4,352,371
Consumer Non-Cyclical – 0.1%		
DaVita HealthCare Partners, Inc., 3.5000%, 6/24/21‡	733,130	734,046
HCA, Inc., 3.3811%, 5/1/18‡	1,842,848	1,843,272
IMS Health, Inc., 3.5000%, 3/17/21‡	1,303,008	1,289,977
		3,867,295
Technology – 0.1%		
Avago Technologies Cayman Finance, Ltd., 4.2500%, 2/1/23‡	2,289,263	2,290,338
Total Bank Loans and Mezzanine Loans (cost $19,846,663)		19,794,803
Corporate Bonds – 15.3%		
Asset-Backed Securities – 0.1%		
American Tower Trust I, 1.5510%, 3/15/18 (144A)	1,845,000	1,848,908
Banking – 2.3%		
Ally Financial, Inc., 3.2500%, 11/5/18	1,085,000	1,083,644
Ally Financial, Inc., 8.0000%, 12/31/18	424,000	463,220
American Express Co., 6.8000%, 9/1/66‡	2,240,000	2,237,200
American Express Credit Corp., 2.2500%, 5/5/21	2,127,000	2,164,733
Bank of America Corp., 5.7500%, 8/15/16	815,000	818,871
Bank of America Corp., 5.4200%, 3/15/17	500,000	514,048
Bank of America Corp., 5.7000%, 5/2/17	1,058,000	1,095,217
Bank of America Corp., 4.4500%, 3/3/26	3,228,000	3,376,281
Bank of America Corp., 8.0000%µ	710,000	705,563
Bank of America Corp., 6.3000%µ	1,329,000	1,412,063
Citigroup, Inc., 4.4500%, 9/29/27	1,804,000	1,858,320
Citizens Financial Group, Inc., 4.3000%, 12/3/25	2,488,000	2,618,747
Discover Financial Services, 3.9500%, 11/6/24	1,956,000	2,004,773
Discover Financial Services, 3.7500%, 3/4/25	1,662,000	1,674,354
Goldman Sachs Capital I, 6.3450%, 2/15/34	3,648,000	4,289,913
Goldman Sachs Group, Inc., 5.6250%, 1/15/17†	732,000	748,134
Goldman Sachs Group, Inc., 3.7500%, 2/25/26	2,324,000	2,446,012
JPMorgan Chase & Co., 4.2500%, 10/1/27	2,740,000	2,899,010
JPMorgan Chase Capital XXI, 1.5866%, 2/2/37‡	217,000	165,463
Morgan Stanley, 5.5500%, 4/27/17	775,000	801,963
Morgan Stanley, 2.4500%, 2/1/19	2,410,000	2,455,248
Morgan Stanley, 4.8750%, 11/1/22	796,000	871,665
Morgan Stanley, 3.9500%, 4/23/27	1,705,000	1,724,267
Morgan Stanley, 5.5500%µ	2,097,000	2,077,288
Murray Street Investment Trust I, 4.6470%, 3/9/17ς	1,208,000	1,235,135
Royal Bank of Scotland Group PLC, 6.1000%, 6/10/23	1,847,000	1,888,997
Santander UK PLC, 5.0000%, 11/7/23 (144A)	3,024,000	3,104,133
SVB Financial Group, 5.3750%, 9/15/20	1,972,000	2,201,316
Synchrony Financial, 2.6000%, 1/15/19	83,000	83,908
Synchrony Financial, 3.0000%, 8/15/19	2,464,000	2,505,067
UBS AG, 4.7500%, 5/22/23‡	883,000	900,660
Wells Fargo & Co., 3.0000%, 4/22/26	770,000	784,900
Wells Fargo & Co., 5.8750%µ	1,366,000	1,456,498
		54,666,611
Basic Industry – 0.6%		
Albemarle Corp., 4.1500%, 12/1/24	1,335,000	1,397,901

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

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Schedule of Investments (unaudited)
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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Basic Industry – (continued)		
Albemarle Corp., 5.4500%, 12/1/44	$1,785,000	$1,903,160
Alcoa, Inc., 5.1250%, 10/1/24	2,430,000	2,423,925
Ashland, Inc., 3.8750%, 4/15/18	1,107,000	1,129,140
Georgia-Pacific LLC, 3.1630%, 11/15/21 (144A)	3,271,000	3,441,900
Georgia-Pacific LLC, 3.6000%, 3/1/25 (144A)	1,695,000	1,812,921
Reliance Steel & Aluminum Co., 4.5000%, 4/15/23	1,656,000	1,692,987
		13,801,934
Brokerage – 1.4%		
Carlyle Holdings Finance LLC, 3.8750%, 2/1/23 (144A)	888,000	925,540
Charles Schwab Corp., 3.0000%, 3/10/25	1,409,000	1,471,185
Charles Schwab Corp., 7.0000%[µ]	1,924,000	2,190,955
E*TRADE Financial Corp., 5.3750%, 11/15/22	2,289,000	2,414,895
E*TRADE Financial Corp., 4.6250%, 9/15/23	2,933,000	2,969,663
Intercontinental Exchange, Inc., 3.7500%, 12/1/25	2,005,000	2,173,548
Lazard Group LLC, 6.8500%, 6/15/17	95,000	99,347
Lazard Group LLC, 4.2500%, 11/14/20	2,197,000	2,338,507
Lazard Group LLC, 3.7500%, 2/13/25	488,000	485,112
Neuberger Berman Group LLC / Neuberger Berman Finance Corp., 5.8750%, 3/15/22 (144A)	2,527,000	2,637,556
Neuberger Berman Group LLC / Neuberger Berman Finance Corp., 4.8750%, 4/15/45 (144A)	2,318,000	2,048,952
Raymond James Financial, Inc., 5.6250%, 4/1/24	4,997,000	5,714,089
Scottrade Financial Services, Inc., 6.1250%, 7/11/21 (144A)[§]	649,000	698,274
Stifel Financial Corp., 4.2500%, 7/18/24	1,609,000	1,650,205
TD Ameritrade Holding Corp., 2.9500%, 4/1/22	1,961,000	2,043,195
TD Ameritrade Holding Corp., 3.6250%, 4/1/25	3,643,000	3,902,495
		33,763,518
Capital Goods – 0.8%		
Ball Corp., 4.3750%, 12/15/20	1,173,000	1,233,849
CNH Industrial Capital LLC, 3.6250%, 4/15/18	1,261,000	1,261,000
FLIR Systems, Inc., 3.7500%, 9/1/16	1,928,000	1,936,647
General Electric Co., 5.0000%[µ]	2,197,000	2,331,017
Hanson, Ltd., 6.1250%, 8/15/16	1,846,000	1,848,308
Harris Corp., 4.2500%, 10/1/16	1,549,000	1,558,388
Martin Marietta Materials, Inc., 4.2500%, 7/2/24	1,140,000	1,214,249
Masco Corp., 3.5000%, 4/1/21	1,097,000	1,119,269
Owens Corning, 4.2000%, 12/1/24	833,000	871,634
Vulcan Materials Co., 7.0000%, 6/15/18	1,301,000	1,424,595
Vulcan Materials Co., 7.5000%, 6/15/21	772,000	927,404
Vulcan Materials Co., 4.5000%, 4/1/25	2,181,000	2,328,218
		18,054,578
Communications – 1.1%		
American Tower Corp., 3.3000%, 2/15/21	2,171,000	2,264,792
American Tower Corp., 3.4500%, 9/15/21	189,000	196,723
American Tower Corp., 3.5000%, 1/31/23	335,000	346,643
American Tower Corp., 4.4000%, 2/15/26	1,191,000	1,293,066
American Tower Corp., 3.3750%, 10/15/26	3,238,000	3,254,844
BellSouth LLC, 4.4000%, 4/26/17 (144A)	5,200,000	5,330,000
CCO Holdings LLC / CCO Holdings Capital Corp., 5.2500%, 3/15/21	1,517,000	1,573,888
Charter Communications Operating LLC / Charter Communications Operating Capital, 4.4640%, 7/23/22 (144A)	2,014,000	2,164,518
Crown Castle International Corp., 4.8750%, 4/15/22	2,890,000	3,173,798
Crown Castle International Corp., 5.2500%, 1/15/23	1,467,000	1,646,062
SBA Tower Trust, 2.9330%, 12/15/17 (144A)	1,051,000	1,052,832
Time Warner Cable, Inc., 5.8500%, 5/1/17	1,483,000	1,535,165
UBM PLC, 5.7500%, 11/3/20 (144A)	2,064,000	2,233,397
		26,065,728
Consumer Cyclical – 1.2%		
1011778 BC ULC / New Red Finance, Inc., 4.6250%, 1/15/22 (144A)	2,394,000	2,411,955

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Consumer Cyclical – (continued)		
Brinker International, Inc., 3.8750%, 5/15/23	$2,648,000	$2,686,851
CVS Health Corp., 2.8000%, 7/20/20	3,574,000	3,721,499
CVS Health Corp., 4.7500%, 12/1/22	840,000	959,459
CVS Health Corp., 5.0000%, 12/1/24	1,166,000	1,364,684
DR Horton, Inc., 4.7500%, 5/15/17	708,000	722,598
DR Horton, Inc., 3.7500%, 3/1/19	1,572,000	1,595,580
DR Horton, Inc., 4.0000%, 2/15/20	309,000	318,270
General Motors Co., 4.8750%, 10/2/23	2,461,000	2,619,835
General Motors Financial Co., Inc., 3.7000%, 5/9/23	972,000	977,050
Hanesbrands, Inc., 4.6250%, 5/15/24 (144A)	2,863,000	2,870,158
MDC Holdings, Inc., 5.5000%, 1/15/24	1,699,000	1,682,010
Schaeffler Finance BV, 4.2500%, 5/15/21 (144A)	702,000	711,653
Toll Brothers Finance Corp., 4.0000%, 12/31/18	624,000	646,776
Toll Brothers Finance Corp., 5.8750%, 2/15/22	569,000	612,244
Toll Brothers Finance Corp., 4.3750%, 4/15/23	326,000	321,110
Walgreens Boots Alliance, Inc., 2.6000%, 6/1/21	596,000	607,119
Walgreens Boots Alliance, Inc., 3.1000%, 6/1/23	377,000	383,980
Walgreens Boots Alliance, Inc., 3.4500%, 6/1/26	1,537,000	1,577,792
Walgreens Boots Alliance, Inc., 4.6500%, 6/1/46	264,000	281,562
ZF North America Capital, Inc., 4.0000%, 4/29/20 (144A)	543,000	554,539
ZF North America Capital, Inc., 4.5000%, 4/29/22 (144A)	477,000	483,559
ZF North America Capital, Inc., 4.7500%, 4/29/25 (144A)	559,000	566,334
		28,676,617
Consumer Non-Cyclical – 2.1%		
AbbVie, Inc., 3.2000%, 5/14/26	3,135,000	3,175,686
Actavis Funding SCS, 3.0000%, 3/12/20	2,973,000	3,066,141
Anheuser-Busch InBev Finance, Inc., 2.6500%, 2/1/21	1,339,000	1,388,563
Anheuser-Busch InBev Finance, Inc., 3.3000%, 2/1/23	3,559,000	3,750,012
Anheuser-Busch InBev Finance, Inc., 3.6500%, 2/1/26	2,260,000	2,421,016
Aramark Services, Inc., 5.1250%, 1/15/24 (144A)	312,000	318,240
Becton Dickinson and Co., 1.8000%, 12/15/17	1,966,000	1,982,072
Express Scripts Holding Co., 4.5000%, 2/25/26	3,106,000	3,412,388
Express Scripts Holding Co., 3.4000%, 3/1/27	1,783,000	1,780,732
Express Scripts Holding Co., 4.8000%, 7/15/46	1,082,000	1,080,557
Fresenius Medical Care US Finance II, Inc., 5.8750%, 1/31/22 (144A)	946,000	1,037,053
HCA, Inc., 3.7500%, 3/15/19	1,149,000	1,189,215
Kraft Heinz Foods Co., 2.8000%, 7/2/20 (144A)	1,407,000	1,461,086
Kraft Heinz Foods Co., 3.5000%, 7/15/22 (144A)	1,202,000	1,276,597
Kraft Heinz Foods Co., 3.0000%, 6/1/26 (144A)	1,525,000	1,537,471
Life Technologies Corp., 6.0000%, 3/1/20	1,384,000	1,561,891
Molson Coors Brewing Co., 3.0000%, 7/15/26	1,766,000	1,764,259
Molson Coors Brewing Co., 4.2000%, 7/15/46	703,000	706,006
Newell Brands, Inc., 3.1500%, 4/1/21	620,000	645,905
Newell Brands, Inc., 3.8500%, 4/1/23	587,000	622,613
Newell Brands, Inc., 5.0000%, 11/15/23 (144A)	992,000	1,041,624
Newell Brands, Inc., 4.2000%, 4/1/26	3,440,000	3,729,135
Smithfield Foods, Inc., 5.2500%, 8/1/18 (144A)	314,000	317,140
Sysco Corp., 2.5000%, 7/15/21	474,000	484,365
Sysco Corp., 3.3000%, 7/15/26	1,190,000	1,234,593
Thermo Fisher Scientific, Inc., 3.3000%, 2/15/22	1,070,000	1,110,118
Universal Health Services, Inc., 4.7500%, 8/1/22 (144A)	1,150,000	1,169,688
Universal Health Services, Inc., 5.0000%, 6/1/26 (144A)	1,070,000	1,072,675
Wm Wrigley Jr Co., 2.4000%, 10/21/18 (144A)	3,220,000	3,283,907
Wm Wrigley Jr Co., 3.3750%, 10/21/20 (144A)	1,036,000	1,105,007
		48,725,755
Electric – 0.4%		
IPALCO Enterprises, Inc., 5.0000%, 5/1/18	964,000	1,007,380
PPL WEM, Ltd. / Western Power Distribution, Ltd., 5.3750%, 5/1/21 (144A)	1,777,000	1,978,652
Southern Co., 2.3500%, 7/1/21	2,934,000	2,992,252

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Electric – (continued)		
Southern Co., 2.9500%, 7/1/23	$1,566,000	$1,623,314
Southern Co., 3.2500%, 7/1/26	2,937,000	3,050,729
		10,652,327
Energy – 1.4%		
Anadarko Petroleum Corp., 6.3750%, 9/15/17	72,000	75,783
Anadarko Petroleum Corp., 4.8500%, 3/15/21	311,000	329,851
Anadarko Petroleum Corp., 5.5500%, 3/15/26	1,136,000	1,254,462
Anadarko Petroleum Corp., 6.6000%, 3/15/46	850,000	1,026,379
Canadian Natural Resources, Ltd., 5.7000%, 5/15/17	419,000	431,047
Canadian Natural Resources, Ltd., 5.9000%, 2/1/18	750,000	792,353
Cenovus Energy, Inc., 5.7000%, 10/15/19	49,000	51,828
Cimarex Energy Co., 5.8750%, 5/1/22	1,533,000	1,605,854
Cimarex Energy Co., 4.3750%, 6/1/24	518,000	541,695
ConocoPhillips Co., 4.2000%, 3/15/21	1,371,000	1,484,438
ConocoPhillips Co., 4.9500%, 3/15/26	2,471,000	2,801,921
Devon Energy Corp., 2.2500%, 12/15/18	2,798,000	2,778,269
Devon Energy Corp., 6.3000%, 1/15/19	588,000	637,007
Energy Transfer Partners LP, 4.1500%, 10/1/20	1,008,000	1,023,071
Helmerich & Payne International Drilling Co., 4.6500%, 3/15/25	3,506,000	3,740,874
Hess Corp., 8.1250%, 2/15/19	570,000	635,213
Kinder Morgan Energy Partners LP, 5.0000%, 10/1/21	924,000	978,513
Kinder Morgan Energy Partners LP, 3.9500%, 9/1/22	1,009,000	1,026,871
Kinder Morgan Energy Partners LP, 4.1500%, 2/1/24	386,000	387,981
Kinder Morgan Energy Partners LP, 4.3000%, 5/1/24	1,140,000	1,149,793
Kinder Morgan, Inc., 6.5000%, 9/15/20	101,000	111,311
Motiva Enterprises LLC, 5.7500%, 1/15/20 (144A)	1,365,000	1,490,667
Oceaneering International, Inc., 4.6500%, 11/15/24	2,146,000	2,074,965
Phillips 66 Partners LP, 3.6050%, 2/15/25	609,000	598,443
Spectra Energy Partners LP, 4.7500%, 3/15/24	2,375,000	2,610,227
Western Gas Partners LP, 5.3750%, 6/1/21	3,288,000	3,466,680
		33,105,496
Finance Companies – 0.4%		
AerCap Ireland Capital, Ltd. / AerCap Global Aviation Trust, 4.6250%, 10/30/20	806,000	835,621
CIT Group, Inc., 4.2500%, 8/15/17	4,267,000	4,345,940
CIT Group, Inc., 5.5000%, 2/15/19 (144A)	1,255,000	1,313,044
International Lease Finance Corp., 6.7500%, 9/1/16 (144A)	1,840,000	1,849,200
International Lease Finance Corp., 8.7500%, 3/15/17	943,000	984,492
		9,328,297
Financial – 0.4%		
Jones Lang LaSalle, Inc., 4.4000%, 11/15/22	2,193,000	2,289,648
Kennedy-Wilson, Inc., 5.8750%, 4/1/24	2,936,000	2,862,600
LeasePlan Corp. NV, 2.5000%, 5/16/18 (144A)	3,885,000	3,886,523
		9,038,771
Industrial – 0%		
Cintas Corp. No 2, 4.3000%, 6/1/21	933,000	1,031,337
Insurance – 0.5%		
Aetna, Inc., 2.4000%, 6/15/21	1,301,000	1,327,387
Aetna, Inc., 2.8000%, 6/15/23	941,000	961,235
Aetna, Inc., 3.2000%, 6/15/26	2,243,000	2,307,652
Berkshire Hathaway, Inc., 3.1250%, 3/15/26	989,000	1,037,010
CNO Financial Group, Inc., 4.5000%, 5/30/20	546,000	565,110
CNO Financial Group, Inc., 5.2500%, 5/30/25	1,729,000	1,780,870
Primerica, Inc., 4.7500%, 7/15/22	3,298,000	3,630,359
Voya Financial, Inc., 5.6500%, 5/15/53[‡]	1,415,000	1,333,638
		12,943,261
Real Estate Investment Trusts (REITs) – 0.6%		
Alexandria Real Estate Equities, Inc., 2.7500%, 1/15/20	1,687,000	1,701,787
Alexandria Real Estate Equities, Inc., 4.6000%, 4/1/22	2,774,000	3,000,913

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Corporate Bonds – (continued)		
Real Estate Investment Trusts (REITs) – (continued)		
Alexandria Real Estate Equities, Inc., 4.5000%, 7/30/29	$1,469,000	$1,526,946
Post Apartment Homes LP, 4.7500%, 10/15/17	1,262,000	1,302,798
Senior Housing Properties Trust, 6.7500%, 4/15/20	618,000	679,450
Senior Housing Properties Trust, 6.7500%, 12/15/21	682,000	772,409
SL Green Realty Corp., 5.0000%, 8/15/18	1,465,000	1,536,458
SL Green Realty Corp., 7.7500%, 3/15/20	2,893,000	3,382,050
		13,902,811
Technology – 1.7%		
Cadence Design Systems, Inc., 4.3750%, 10/15/24	3,444,000	3,558,554
Fidelity National Information Services, Inc., 3.6250%, 10/15/20	1,053,000	1,113,147
Fidelity National Information Services, Inc., 5.0000%, 3/15/22	453,000	471,996
Fidelity National Information Services, Inc., 4.5000%, 10/15/22	1,330,000	1,473,020
Fidelity National Information Services, Inc., 5.0000%, 10/15/25	3,209,000	3,642,947
Seagate HDD Cayman, 4.7500%, 1/1/25	4,756,000	3,763,185
Seagate HDD Cayman, 4.8750%, 6/1/27	1,638,000	1,189,598
Seagate HDD Cayman, 5.7500%, 12/1/34	1,094,000	768,535
Total System Services, Inc., 3.8000%, 4/1/21	1,153,000	1,220,766
Total System Services, Inc., 4.8000%, 4/1/26	3,217,000	3,488,463
Trimble Navigation, Ltd., 4.7500%, 12/1/24	3,866,000	4,030,139
TSMC Global, Ltd., 1.6250%, 4/3/18 (144A)	5,235,000	5,249,208
Verisk Analytics, Inc., 4.8750%, 1/15/19	1,249,000	1,331,708
Verisk Analytics, Inc., 5.8000%, 5/1/21	3,681,000	4,221,934
Verisk Analytics, Inc., 4.1250%, 9/12/22	1,267,000	1,349,097
Verisk Analytics, Inc., 5.5000%, 6/15/45	2,219,000	2,281,924
		39,154,221
Transportation – 0.3%		
Penske Truck Leasing Co. LP / PTL Finance Corp., 3.3750%, 3/15/18 (144A)	2,046,000	2,096,041
Penske Truck Leasing Co. LP / PTL Finance Corp., 2.5000%, 6/15/19 (144A)	1,341,000	1,355,610
Penske Truck Leasing Co. LP / PTL Finance Corp., 4.8750%, 7/11/22 (144A)[†]	215,000	234,466
Penske Truck Leasing Co. LP / PTL Finance Corp., 4.2500%, 1/17/23 (144A)	1,150,000	1,204,165
Southwest Airlines Co., 5.1250%, 3/1/17	1,326,000	1,362,054
		6,252,336
Total Corporate Bonds (cost $350,744,294)		361,012,506
Mortgage-Backed Securities – 9.7%		
Fannie Mae Pool:		
6.0000%, 8/1/22	520,884	566,781
5.5000%, 1/1/25	212,601	228,880
4.0000%, 3/1/29	851,237	910,972
4.0000%, 6/1/29	386,409	412,581
4.0000%, 7/1/29	831,107	885,488
4.0000%, 9/1/29	774,613	823,050
5.0000%, 9/1/29	583,321	647,506
3.5000%, 10/1/29	106,371	112,830
5.0000%, 1/1/30	242,635	269,277
4.0000%, 4/1/34	882,474	959,391
6.0000%, 10/1/35	674,760	776,967
6.0000%, 12/1/35	768,467	885,810
6.0000%, 2/1/37	127,168	148,836
6.0000%, 9/1/37	483,724	533,426
6.0000%, 10/1/38	513,227	586,230
7.0000%, 2/1/39	199,378	245,130
5.5000%, 12/1/39	1,066,973	1,205,448
5.5000%, 3/1/40	846,824	972,470
5.5000%, 4/1/40	2,393,684	2,706,158
4.5000%, 10/1/40	209,403	229,590
5.0000%, 10/1/40	367,625	415,642
5.5000%, 2/1/41	480,583	553,349
5.0000%, 5/1/41	1,072,860	1,195,528
5.5000%, 5/1/41	745,081	842,374

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
5.5000%, 6/1/41	$1,222,800	$1,381,475
5.5000%, 6/1/41	1,060,643	1,215,722
5.5000%, 7/1/41	128,599	145,391
4.5000%, 8/1/41	773,144	847,586
5.5000%, 12/1/41	1,083,320	1,225,931
4.5000%, 1/1/42	238,396	261,351
5.5000%, 2/1/42	4,568,184	5,160,156
4.0000%, 6/1/42	1,452,972	1,576,050
4.5000%, 6/1/42	303,768	338,466
3.5000%, 7/1/42	936,447	1,002,508
4.0000%, 7/1/42	282,111	305,835
4.0000%, 8/1/42	664,652	720,728
4.0000%, 9/1/42	1,299,958	1,409,549
4.0000%, 9/1/42	875,154	949,243
4.0000%, 11/1/42	992,658	1,076,241
4.5000%, 11/1/42	528,302	584,923
4.0000%, 12/1/42	752,496	823,450
3.5000%, 1/1/43	1,778,223	1,895,376
3.5000%, 2/1/43	3,834,427	4,087,023
3.5000%, 2/1/43	3,535,385	3,767,235
4.5000%, 2/1/43	3,928,330	4,306,578
4.5000%, 3/1/43	1,399,303	1,567,836
4.0000%, 5/1/43	2,192,615	2,377,674
4.0000%, 7/1/43	3,161,217	3,428,872
4.0000%, 8/1/43	2,538,517	2,752,989
4.0000%, 9/1/43	626,805	679,091
3.5000%, 1/1/44	3,039,281	3,268,224
3.5000%, 1/1/44	1,360,738	1,460,776
4.0000%, 2/1/44	1,661,868	1,802,788
3.5000%, 4/1/44	1,587,908	1,699,511
3.5000%, 5/1/44	4,565,763	4,900,099
4.5000%, 5/1/44	5,943,523	6,667,575
5.5000%, 5/1/44	979,202	1,105,983
4.0000%, 6/1/44	2,098,870	2,276,613
4.0000%, 7/1/44	4,021,800	4,418,453
5.0000%, 7/1/44	2,330,295	2,645,913
4.0000%, 8/1/44	2,513,998	2,762,206
4.0000%, 8/1/44	972,395	1,068,492
4.5000%, 8/1/44	2,621,190	2,941,792
4.5000%, 10/1/44	2,012,933	2,262,924
4.5000%, 10/1/44	1,127,650	1,263,162
3.5000%, 2/1/45	3,157,915	3,366,320
4.5000%, 3/1/45	2,030,404	2,275,312
4.0000%, 5/1/45	4,561,752	5,018,115
4.5000%, 5/1/45	1,666,592	1,874,354
4.5000%, 5/1/45	444,847	500,303
4.5000%, 6/1/45	1,007,929	1,125,824
4.0000%, 9/1/45	6,017,770	6,572,884
4.0000%, 10/1/45	3,981,499	4,353,860
4.5000%, 10/1/45	3,917,044	4,405,363
4.5000%, 10/1/45	2,133,986	2,392,055
3.5000%, 12/1/45	985,563	1,055,119
4.0000%, 12/1/45	1,397,395	1,538,405
3.5000%, 1/1/46	2,602,084	2,786,269
3.5000%, 1/1/46	2,196,702	2,353,048
4.5000%, 2/1/46	3,050,668	3,429,915
4.5000%, 2/1/46	1,277,551	1,434,041
4.0000%, 4/1/46	1,737,419	1,915,808
4.5000%, 4/1/46	1,676,067	1,897,521

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.0000%, 5/1/46	$2,147,439	$2,360,239
		152,200,259
Freddie Mac Gold Pool:		
5.0000%, 6/1/20	194,628	204,569
5.5000%, 12/1/28	516,201	574,584
3.5000%, 7/1/29	962,733	1,020,919
5.5000%, 10/1/36	438,465	498,288
6.0000%, 4/1/40	2,237,637	2,629,046
5.5000%, 5/1/41	1,002,784	1,118,193
5.5000%, 8/1/41	2,149,172	2,480,093
5.5000%, 8/1/41	1,453,998	1,660,839
5.5000%, 9/1/41	351,665	391,706
5.0000%, 3/1/42	1,067,091	1,200,827
3.5000%, 2/1/44	1,230,738	1,311,278
4.5000%, 5/1/44	1,232,851	1,369,319
5.0000%, 7/1/44	5,977,605	6,718,254
4.0000%, 8/1/44	813,466	891,109
4.5000%, 9/1/44	3,854,567	4,330,296
4.5000%, 6/1/45	1,685,360	1,895,355
4.5000%, 2/1/46	1,910,750	2,148,843
4.5000%, 2/1/46	1,237,416	1,386,136
		31,829,654
Ginnie Mae I Pool:		
5.1000%, 1/15/32	878,575	1,018,656
7.5000%, 8/15/33	921,941	1,108,585
4.9000%, 10/15/34	953,194	1,105,835
5.5000%, 9/15/35	109,443	127,380
5.5000%, 3/15/36	464,412	531,755
5.5000%, 2/15/39	689,854	794,083
5.5000%, 8/15/39	1,964,964	2,300,083
5.5000%, 8/15/39	637,561	746,512
5.0000%, 10/15/39	424,893	478,492
5.5000%, 10/15/39	753,031	874,565
5.0000%, 11/15/39	697,988	781,768
5.0000%, 1/15/40	232,223	260,192
5.0000%, 5/15/40	247,653	280,412
5.0000%, 5/15/40	91,063	103,266
5.0000%, 7/15/40	754,498	844,895
5.0000%, 7/15/40	202,770	227,018
5.0000%, 2/15/41	770,355	865,882
5.0000%, 4/15/41	282,947	316,269
4.5000%, 5/15/41	1,418,418	1,627,992
5.0000%, 5/15/41	293,806	332,558
4.5000%, 7/15/41	672,259	778,299
4.5000%, 7/15/41	210,243	235,451
4.5000%, 8/15/41	1,857,645	2,087,278
5.0000%, 9/15/41	192,286	221,947
5.0000%, 11/15/43	1,357,946	1,553,297
4.5000%, 5/15/44	888,720	992,388
5.0000%, 6/15/44	1,354,696	1,541,209
5.0000%, 6/15/44	505,456	574,406
5.0000%, 7/15/44	560,626	636,564
4.0000%, 1/15/45	4,409,768	4,787,773
4.0000%, 4/15/45	675,447	739,274
		28,874,084
Ginnie Mae II Pool:		
6.0000%, 11/20/34	423,495	498,933
5.5000%, 11/20/37	521,551	593,535
6.0000%, 1/20/39	177,967	203,124

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Ginnie Mae II Pool – (continued)		
7.0000%, 5/20/39	$98,657	$121,482
4.5000%, 10/20/41	1,241,488	1,334,337
6.0000%, 12/20/41	205,358	237,420
5.5000%, 1/20/42	455,270	506,888
6.0000%, 1/20/42	224,953	258,789
6.0000%, 2/20/42	176,015	202,615
6.0000%, 3/20/42	157,820	182,335
6.0000%, 4/20/42	605,196	700,310
3.5000%, 5/20/42	457,927	490,599
5.5000%, 5/20/42	626,832	695,639
6.0000%, 5/20/42	252,150	288,042
5.5000%, 7/20/42	835,273	919,523
6.0000%, 7/20/42	173,799	200,888
6.0000%, 8/20/42	190,700	220,276
6.0000%, 9/20/42	417,887	483,150
6.0000%, 11/20/42	170,360	196,416
6.0000%, 2/20/43	234,095	271,403
3.5000%, 9/20/44	1,297,756	1,390,607
5.0000%, 12/20/44	786,010	894,950
5.0000%, 9/20/45	1,793,147	2,039,069
4.0000%, 10/20/45	1,615,778	1,753,486
		14,683,816
Total Mortgage-Backed Securities (cost $223,762,661)		227,587,813
U.S. Treasury Notes/Bonds – 10.4%		
1.6250%, 12/31/19	7,602,000	7,811,944
1.7500%, 12/31/20	7,829,000	8,098,427
1.3750%, 1/31/21	9,798,000	9,971,376
1.1250%, 2/28/21	27,804,000	27,999,490
1.2500%, 3/31/21	30,959,000	31,318,465
1.1250%, 6/30/21	7,638,000	7,675,892
2.1250%, 9/30/21	6,189,000	6,522,141
2.1250%, 12/31/21	8,669,000	9,139,363
1.7500%, 5/15/23	2,580,000	2,661,533
1.3750%, 6/30/23	1,396,000	1,403,416
2.5000%, 8/15/23	9,478,000	10,267,707
2.7500%, 11/15/23	12,096,000	13,333,953
2.5000%, 5/15/24	6,952,000	7,550,797
2.0000%, 2/15/25	1,198,000	1,253,408
2.0000%, 8/15/25	10,253,000	10,718,794
2.2500%, 11/15/25	21,707,000	23,158,656
1.6250%, 2/15/26	2,144,000	2,168,120
1.6250%, 5/15/26	19,956,000	20,200,002
3.7500%, 11/15/43	7,041,000	9,289,719
3.6250%, 2/15/44	1,892,000	2,439,498
3.3750%, 5/15/44	1,659,000	2,044,653
2.5000%, 2/15/45	1,343,000	1,398,242
3.0000%, 5/15/45	2,027,000	2,329,862
2.8750%, 8/15/45	3,486,000	3,914,398
3.0000%, 11/15/45	12,705,000	14,608,768
2.5000%, 2/15/46	2,729,000	2,841,678
2.5000%, 5/15/46	4,635,000	4,829,994
Total U.S. Treasury Notes/Bonds (cost $232,539,253)		244,950,296
Common Stocks – 59.8%		
Aerospace & Defense – 5.6%		
Boeing Co.	427,510	55,520,724
General Dynamics Corp.	83,866	11,677,502
Honeywell International, Inc.	332,609	38,689,079
Northrop Grumman Corp.	114,570	25,466,620
		131,353,925

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Air Freight & Logistics – 0.5%		
United Parcel Service, Inc. - Class B	116,533	$12,552,935
Automobiles – 1.2%		
General Motors Co.	1,023,271	28,958,569
Biotechnology – 4.7%		
AbbVie, Inc.	747,765	46,294,131
Amgen, Inc.	386,056	58,738,420
Celgene Corp.*	60,486	5,965,734
		110,998,285
Capital Markets – 2.4%		
Blackstone Group LP	1,106,108	27,143,890
Morgan Stanley	534,084	13,875,502
TD Ameritrade Holding Corp.	565,702	16,108,364
		57,127,756
Chemicals – 2.2%		
EI du Pont de Nemours & Co.	172,508	11,178,518
LyondellBasell Industries NV - Class A	552,803	41,139,599
		52,318,117
Commercial Banks – 1.0%		
US Bancorp	594,698	23,984,170
Consumer Finance – 1.7%		
American Express Co.†	260,731	15,842,016
Synchrony Financial	974,169	24,626,992
		40,469,008
Diversified Financial Services – 1.2%		
CME Group, Inc.	291,839	28,425,119
Food & Staples Retailing – 2.5%		
Costco Wholesale Corp.	249,633	39,202,366
Kroger Co.	498,406	18,336,357
		57,538,723
Food Products – 1.3%		
Hershey Co.	263,866	29,946,152
Health Care Equipment & Supplies – 0.8%		
Medtronic PLC	224,728	19,499,649
Health Care Providers & Services – 0.7%		
Aetna, Inc.	126,333	15,429,049
Hotels, Restaurants & Leisure – 1.9%		
Norwegian Cruise Line Holdings, Ltd.*	394,497	15,716,760
Six Flags Entertainment Corp.	128,289	7,434,348
Starbucks Corp.	378,465	21,617,921
		44,769,029
Household Products – 1.0%		
Kimberly-Clark Corp.	176,511	24,266,732
Industrial Conglomerates – 1.2%		
General Electric Co.	920,146	28,966,196
Information Technology Services – 3.6%		
Accenture PLC - Class A (U.S. Shares)	137,139	15,536,477
Automatic Data Processing, Inc.	134,816	12,385,546
MasterCard, Inc. - Class A	647,679	57,034,613
		84,956,636
Internet & Catalog Retail – 1.4%		
Priceline Group, Inc.*	26,264	32,788,240
Internet Software & Services – 2.3%		
Alphabet, Inc. - Class C*	77,468	53,615,603
Leisure Products – 0.6%		
Mattel, Inc.	458,519	14,347,060
Media – 2.1%		
Comcast Corp. - Class A	452,887	29,523,704
Time Warner, Inc.	253,754	18,661,069
		48,184,773

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares or Principal Amounts	*Value*
Common Stocks – (continued)		
Multiline Retail – 1.2%		
Dollar Tree, Inc.*	304,938	$28,737,357
Pharmaceuticals – 3.8%		
Allergan PLC*	99,414	22,973,581
Bristol-Myers Squibb Co.	798,682	58,743,061
Eli Lilly & Co.	96,475	7,597,406
		89,314,048
Real Estate Investment Trusts (REITs) – 1.2%		
Colony Capital, Inc.- Class A	785,968	12,064,609
Colony Starwood Homes[β]	62,167	1,702,008
MGM Growth Properties LLC	227,302	6,064,417
Outfront Media, Inc.	351,185	8,488,141
		28,319,175
Real Estate Management & Development – 1.0%		
CBRE Group, Inc. - Class A*	688,970	18,243,926
Colony American Homes Holdings III LP[§]	639,963	3,981,466
		22,225,392
Road & Rail – 0.8%		
CSX Corp.	671,861	17,522,135
Software – 4.2%		
Adobe Systems, Inc.*	364,034	34,870,817
Microsoft Corp.	1,246,346	63,775,525
		98,646,342
Specialty Retail – 1.5%		
Home Depot, Inc.	284,305	36,302,905
Technology Hardware, Storage & Peripherals – 1.7%		
Apple, Inc.	417,728	39,934,797
Textiles, Apparel & Luxury Goods – 2.2%		
NIKE, Inc. - Class B	919,078	50,733,106
Tobacco – 2.3%		
Altria Group, Inc.	787,053	54,275,175
Total Common Stocks (cost $1,233,245,485)		1,406,506,158
Preferred Stocks – 0.5%		
Capital Markets – 0.1%		
Morgan Stanley, 6.8750%	69,050	1,984,497
Commercial Banks – 0.2%		
Citigroup Capital XIII, 7.0084%	136,200	3,550,734
Wells Fargo & Co., 6.6250%	33,725	1,003,656
		4,554,390
Consumer Finance – 0.1%		
Discover Financial Services, 6.5000%	96,750	2,558,070
Household Products – 0.1%		
Morgan Stanley, 7.1250%	36,625	1,086,664
Industrial Conglomerates – 0%		
General Electric Co., 4.7000%	9,456	250,679
Total Preferred Stocks (cost $9,769,605)		10,434,300
Investment Companies – 0.5%		
Money Markets – 0.5%		
Janus Cash Liquidity Fund LLC, 0.4506%[∞,£] (cost $12,783,654)	12,783,654	12,783,654
Total Investments (total cost $2,145,121,753) – 99.6%		2,345,134,920
Cash, Receivables and Other Assets, net of Liabilities – 0.4%		8,866,782
Net Assets – 100%		$2,354,001,702

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Schedule of Investments (unaudited)
June 30, 2016

Summary of Investments by Country - (Long Positions) (unaudited)

Country	*Value*	*% of Investment Securities*
United States	$2,306,319,171	98.4 %
United Kingdom	9,205,179	0.4
Belgium	7,559,591	0.3
Taiwan	5,249,208	0.2
Germany	5,201,446	0.2
Netherlands	4,722,144	0.2
Canada	3,687,183	0.2
Singapore	2,290,338	0.1
Switzerland	900,660	0.0
Total	$2,345,134,920	100.0 %

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

Balanced Index	An internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Barclays U.S. Aggregate Bond Index (45%).
Barclays U.S. Aggregate Bond Index	A broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.
S&P 500® Index	Measures broad U.S. equity performance.
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company
ULC	Unlimited Liability Company
U.S. Shares	Securities of foreign companies trading on an American stock exchange.

144A Securities sold under Rule 144A of the Securities Act of 1933, as amended, are subject to legal and/or contractual restrictions on resale and may not be publicly sold without registration under the 1933 Act. These securities have been determined to be liquid under guidelines established by the Board of Trustees. The total value of 144A securities as of the period ended June 30, 2016 is $106,247,054, which represents 4.5% of net assets.

* Non-income producing security.

(a) All or a portion of this position has not settled, or is not funded. Upon settlement or funding date, interest rates for unsettled or unfunded amounts will be determined. Interest and dividends will not be accrued until time of settlement or funding.

† A portion of this security has been segregated to cover margin or segregation requirements on open futures contracts, forward currency contracts, options contracts, short sales, swap agreements, and/or securities with extended settlement dates, the value of which, as of June 30, 2016, is $8,541,683.

‡ The interest rate on floating rate notes is based on an index or market interest rates and is subject to change. Rate in the security description is as of June 30, 2016.

ß Security is illiquid.

ºº Rate shown is the 7-day yield as of June 30, 2016.

µ This variable rate security is a perpetual bond. Perpetual bonds have no contractual maturity date, are not redeemable, and pay an indefinite stream of interest. The coupon rate shown represents the current interest rate.

Ç Step bond. The coupon rate will increase or decrease periodically based upon a predetermined schedule. The rate shown reflects the current rate.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the period ended June 30, 2016. Unless otherwise indicated, all information in the table is for the period ended June 30, 2016.

	Share Balance at 12/31/15	*Purchases*	*Sales*	*Share Balance at 6/30/16*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/16*
Janus Cash Liquidity Fund LLC	66,697,739	377,589,704	(431,503,789)	12,783,654	$—	$57,887	$12,783,654

§ Schedule of Restricted and Illiquid Securities (as of June 30, 2016)

	Acquisition Date	*Cost*	*Value*	*Value as a % of Net Assets*
Colony American Homes Holdings III LP	1/30/13	$ 4,425,046	$ 3,981,466	0.2 %
FREMF 2010 K-SCT Mortgage Trust, 2.0000%, 1/25/20	4/29/13	1,040,186	1,056,357	0.0
Scottrade Financial Services, Inc., 6.1250%, 7/11/21	5/3/16-5/5/16	690,528	698,274	0.0
Total		$ 6,155,760	$ 5,736,097	0.2 %

The Portfolio has registration rights for certain restricted securities held as of June 30, 2016. The issuer incurs all registration costs.

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of June 30, 2016. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quoted Prices	***Level 2 - Other Significant Observable Inputs***	***Level 3 - Significant Unobservable Inputs***
Assets			
Investments in Securities:			
Asset-Backed/Commercial Mortgage-Backed Securities	$ -	$ 62,065,390	$ -
Bank Loans and Mezzanine Loans	-	19,794,803	-
Corporate Bonds	-	361,012,506	-
Mortgage-Backed Securities	-	227,587,813	-
U.S. Treasury Notes/Bonds	-	244,950,296	-
Common Stocks	-		
Real Estate Investment Trusts (REITs)	26,617,167	1,702,008	
Real Estate Management & Development	18,243,926	-	3,981,466
All Other	1,355,961,591	-	-
Preferred Stocks	-	10,434,300	-
Investment Companies	-	12,783,654	-
Total Assets	$ 1,400,822,684	$ 940,330,770	$ 3,981,466

Janus Aspen Balanced Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2016

Assets:		
Investments, at cost	$	2,145,121,753
Unaffiliated investments, at value		2,332,351,266
Affiliated investments, at value		12,783,654
Cash		1,064,128
Non-interested Trustees' deferred compensation		42,556
Receivables:		
Investments sold		62,550,653
Interest		5,601,025
Portfolio shares sold		2,179,127
Dividends		2,025,992
Foreign tax reclaims		34,715
Dividends from affiliates		10,968
Other assets		4,241
Total Assets		2,418,648,325
Liabilities:		
Payables:		
Investments purchased		61,735,679
Advisory fees		1,057,543
Portfolio shares repurchased		961,722
12b-1 Distribution and shareholder servicing fees		395,563
Transfer agent fees and expenses		97,054
Non-interested Trustees' deferred compensation fees		42,556
Professional fees		20,651
Portfolio administration fees		18,267
Non-interested Trustees' fees and expenses		14,976
Accrued expenses and other payables		302,612
Total Liabilities		64,646,623
Net Assets	$	2,354,001,702
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	2,149,638,339
Undistributed net investment income/(loss)		12,026,592
Undistributed net realized gain/(loss) from investments and foreign currency transactions		(7,680,514)
Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation		200,017,285
Total Net Assets	$	2,354,001,702
Net Assets - Institutional Shares	$	413,019,904
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		14,179,630
Net Asset Value Per Share	$	29.13
Net Assets - Service Shares	$	1,940,981,798
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		63,356,781
Net Asset Value Per Share	$	30.64

See Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2016

Investment Income:		
Dividends	$	14,632,862
Interest		13,286,352
Dividends from affiliates		57,887
Other income		75,201
Total Investment Income		28,052,302
Expenses:		
Advisory fees		6,075,535
12b-1Distribution and shareholder servicing fees:		
Service Shares		2,252,259
Transfer agent administrative fees and expenses:		
Institutional Shares		34,618
Service Shares		159,453
Other transfer agent fees and expenses:		
Institutional Shares		1,610
Service Shares		4,532
Portfolio administration fees		93,762
Professional fees		36,611
Non-interested Trustees' fees and expenses		33,822
Shareholder reports expense		33,357
Custodian fees		12,596
Registration fees		6,678
Other expenses		363,640
Total Expenses		9,108,473
Net Investment Income/(Loss)		18,943,829
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		(2,472,804)
Total Net Realized Gain/(Loss) on Investments		(2,472,804)
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		(28,679,898)
Total Change in Unrealized Net Appreciation/Depreciation		(28,679,898)
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	(12,208,873)

See Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Statements of Changes in Net Assets

		Period ended June 30, 2016 (unaudited)		Year ended December 31, 2015
Operations:				
Net investment income/(loss)	$	18,943,829	$	38,891,345
Net realized gain/(loss) on investments		(2,472,804)		25,746,146
Change in unrealized net appreciation/depreciation		(28,679,898)		(59,661,731)
Net Increase/(Decrease) in Net Assets Resulting from Operations		(12,208,873)		4,975,760
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(5,305,145)		(7,464,551)
Service Shares		(21,736,011)		(23,906,755)
Total Dividends from Net Investment Income		(27,041,156)		(31,371,306)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(6,034,450)		(15,890,685)
Service Shares		(26,828,177)		(54,459,823)
Total Distributions from Net Realized Gain from Investment Transactions		(32,862,627)		(70,350,508)
Net Decrease from Dividends and Distributions to Shareholders		(59,903,783)		(101,721,814)
Capital Share Transactions:				
Institutional Shares		(16,953,986)		(11,017,373)
Service Shares		166,666,427		680,114,575
Net Increase/(Decrease) from Capital Share Transactions		149,712,441		669,097,202
Net Increase/(Decrease) in Net Assets		77,599,785		572,351,148
Net Assets:				
Beginning of period		2,276,401,917		1,704,050,769
End of period	$	2,354,001,702	$	2,276,401,917
Undistributed Net Investment Income/(Loss)	$	12,026,592	$	20,123,919

See Notes to Financial Statements.

Janus Aspen Balanced Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$30.08	$31.43	$30.26	$27.17	$26.62	$28.30
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.28(1)	0.63(1)	0.62(1)	0.56	1.14	0.73
Net realized and unrealized gain/(loss)	(0.41)	(0.41)	1.92	4.67	2.30	(0.22)
Total from Investment Operations	(0.13)	0.22	2.54	5.23	3.44	0.51
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.38)	(0.50)	(0.55)	(0.45)	(0.80)	(0.69)
Distributions (from capital gains)	(0.44)	(1.07)	(0.82)	(1.69)	(2.09)	(1.50)
Total Dividends and Distributions	(0.82)	(1.57)	(1.37)	(2.14)	(2.89)	(2.19)
Net Asset Value, End of Period	$29.13	$30.08	$31.43	$30.26	$27.17	$26.62
Total Return*	(0.43)%	0.62%	8.54%	20.11%	13.66%	1.60%
Net Assets, End of Period (in thousands)	$413,020	$444,472	$475,807	$475,100	$435,689	$843,446
Average Net Assets for the Period (in thousands)	$417,083	$467,346	$472,445	$455,356	$509,335	$906,725
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.61%	0.58%	0.58%	0.58%	0.60%	0.57%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.61%	0.58%	0.58%	0.58%	0.60%	0.57%
Ratio of Net Investment Income/(Loss)	1.88%	2.03%	2.01%	1.87%	2.23%	2.50%
Portfolio Turnover Rate	43%	73%	87%	76%	77%	108%

Service Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$31.61	$32.97	$31.72	$28.42	$27.74	$29.42
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.25(1)	0.58(1)	0.57(1)	0.58	0.57	0.66
Net realized and unrealized gain/(loss)	(0.43)	(0.42)	2.00	4.82	2.94	(0.20)
Total from Investment Operations	(0.18)	0.16	2.57	5.40	3.51	0.46
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.35)	(0.45)	(0.50)	(0.41)	(0.74)	(0.64)
Distributions (from capital gains)	(0.44)	(1.07)	(0.82)	(1.69)	(2.09)	(1.50)
Total Dividends and Distributions	(0.79)	(1.52)	(1.32)	(2.10)	(2.83)	(2.14)
Net Asset Value, End of Period	$30.64	$31.61	$32.97	$31.72	$28.42	$27.74
Total Return*	(0.57)%	0.41%	8.24%	19.80%	13.37%	1.35%
Net Assets, End of Period (in thousands)	$1,940,982	$1,831,930	$1,228,244	$863,259	$494,722	$763,208
Average Net Assets for the Period (in thousands)	$1,842,063	$1,645,283	$1,013,680	$596,154	$533,254	$770,420
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.86%	0.84%	0.84%	0.84%	0.85%	0.82%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.86%	0.84%	0.84%	0.84%	0.85%	0.82%
Ratio of Net Investment Income/(Loss)	1.64%	1.79%	1.77%	1.62%	2.00%	2.25%
Portfolio Turnover Rate	43%	73%	87%	76%	77%	108%

* Total return not annualized for periods of less than one full year.
** Annualized for periods of less than one full year.
(1) Per share amounts are calculated based on average shares outstanding during the year or period.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Aspen Balanced Portfolio (the "Portfolio") is a series fund. The Portfolio is part of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers twelve portfolios which include multiple series of shares, with differing investment objectives and policies. The Portfolio seeks long-term capital growth, consistent with preservation of capital and balanced by current income. The Portfolio is classified as diversified, as defined in the 1940 Act.

The Portfolio currently offers two classes of shares: Institutional Shares and Service Shares. Each class represents an interest in the same portfolio of investments. Institutional Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans. Service Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans that require a fee from Portfolio assets to procure distribution and administrative services to contract owners and plan participants.

Shareholders, including other portfolios, participating insurance companies, as well as accounts, may from time to time own (beneficially or of record) a significant percentage of the Portfolio's Shares and can be considered to "control" the Portfolio when that ownership exceeds 25% of the Portfolio's assets (and which may differ from control as determined in accordance with accounting principles generally accepted in the United States of America).

The following accounting policies have been followed by the Portfolio and are in conformity with accounting principles generally accepted in the United States of America.

Investment Valuation

Securities held by the Portfolio are valued in accordance with policies and procedures established by and under the supervision of the Trustees (the "Valuation Procedures"). Equity securities traded on a domestic securities exchange are generally valued at the closing prices on the primary market or exchange on which they trade. If such price is lacking for the trading period immediately preceding the time of determination, such securities are valued at their current bid price. Equity securities that are traded on a foreign exchange are generally valued at the closing prices on such markets. In the event that there is no current trading volume on a particular security in such foreign exchange, the bid price from the primary exchange is generally used to value the security. Securities that are traded on the over-the-counter ("OTC") markets are generally valued at their closing or latest bid prices as available. Foreign securities and currencies are converted to U.S. dollars using the applicable exchange rate in effect at the close of the New York Stock Exchange ("NYSE"). The Portfolio will determine the market value of individual securities held by it by using prices provided by one or more approved professional pricing services or, as needed, by obtaining market quotations from independent broker-dealers. Most debt securities are valued in accordance with the evaluated bid price supplied by the pricing service that is intended to reflect market value. The evaluated bid price supplied by the pricing service is an evaluation that may consider factors such as security prices, yields, maturities and ratings. Certain short-term securities maturing within 60 days or less may be evaluated and valued on an amortized cost basis provided that the amortized cost determined approximates market value. Securities for which market quotations or evaluated prices are not readily available or deemed unreliable are valued at fair value determined in good faith under the Valuation Procedures. Circumstances in which fair value pricing may be utilized include, but are not limited to: (i) a significant event that may affect the securities of a single issuer, such as a merger, bankruptcy, or significant issuer-specific development; (ii) an event that may affect an entire market, such as a natural disaster or significant governmental action; (iii) a nonsignificant event such as a market closing early or not opening, or a security trading halt; and (iv) pricing of a nonvalued security and a restricted or nonpublic security. Special valuation considerations may apply with respect to "odd-lot" fixed-income transactions which, due to their small size, may receive evaluated prices by pricing services which reflect a large block trade and not what actually could be obtained for the odd-lot position. The Portfolio uses systematic fair valuation models provided by independent third parties to value international equity securities in order to adjust for stale pricing, which may occur between the close of certain foreign exchanges and the close of the NYSE.

Valuation Inputs Summary

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability and establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. These inputs are summarized into three broad levels:

Level 1 – Unadjusted quoted prices in active markets the Portfolio has the ability to access for identical assets or liabilities.

Level 2 – Observable inputs other than unadjusted quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Assets or liabilities categorized as Level 2 in the hierarchy generally include: debt securities fair valued in accordance with the evaluated bid or ask prices supplied by a pricing service; securities traded on OTC markets and listed securities for which no sales are reported that are fair valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers transacting in a market for such securities or by a pricing service approved by the Portfolio's Trustees; certain short-term debt securities with maturities of 60 days or less that are fair valued at amortized cost; and equity securities of foreign issuers whose fair value is determined by using systematic fair valuation models provided by independent third parties in order to adjust for stale pricing which may occur between the close of certain foreign exchanges and the close of the NYSE. Other securities that may be categorized as Level 2 in the hierarchy include, but are not limited to, preferred stocks, bank loans, swaps, investments in unregistered investment companies, options, and forward contracts.

Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Portfolio's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Portfolio since the beginning of the fiscal year.

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2016 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

The Portfolio did not hold a significant amount of Level 3 securities as of June 30, 2016.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period. The Portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Portfolio is informed of the dividend, if such information is obtained subsequent to the ex-dividend date. Dividends from foreign securities may be subject to withholding taxes in foreign jurisdictions. Interest income is recorded on the accrual basis and includes amortization of premiums and accretion of discounts. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income, as well as gains and losses, both realized and unrealized, are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Expenses

The Portfolio bears expenses incurred specifically on its behalf. Each class of shares bears a portion of general expenses, which are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and

liabilities and disclosure of contingent 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.

Indemnifications

In the normal course of business, the Portfolio may enter into contracts that contain provisions for indemnification of other parties against certain potential liabilities. The Portfolio's maximum exposure under these arrangements is unknown, and would involve future claims that may be made against the Portfolio that have not yet occurred. Currently, the risk of material loss from such claims is considered remote.

Foreign Currency Translations

The Portfolio does not isolate that portion of the results of operations resulting from the effect of changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at the date of the financial statements. Net unrealized appreciation or depreciation of investments and foreign currency translations arise from changes in the value of assets and liabilities, including investments in securities held at the date of the financial statements, resulting from changes in the exchange rates and changes in market prices of securities held.

Currency gains and losses are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to foreign security transactions and income translations.

Foreign currency-denominated assets and forward currency contracts may involve more risks than domestic transactions, including currency risk, counterparty risk, political and economic risk, regulatory risk and equity risk. Risks may arise from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

Dividends and Distributions

The Portfolio may make semiannual distributions of substantially all of its investment income and an annual distribution of its net realized capital gains (if any).

The Portfolio may make certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon funds available from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. If the Portfolio distributes such amounts, such distributions could constitute a return of capital to shareholders for federal income tax purposes.

Federal Income Taxes

The Portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income in accordance with the requirements of Subchapter M of the Internal Revenue Code. Management has analyzed the Portfolio's tax positions taken for all open federal income tax years, generally a three-year period, and has concluded that no provision for federal income tax is required in the Portfolio's financial statements. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

2. Derivative Instruments

The Portfolio may invest in various types of derivatives, which may at times result in significant derivative exposure. A derivative is a financial instrument whose performance is derived from the performance of another asset. The Portfolio may invest in derivative instruments including, but not limited to: futures contracts, put options, call options, options on future contracts, options on foreign currencies, options on recovery locks, options on security and commodity indices, swaps, forward contracts, structured investments, and other equity-linked derivatives. Each derivative instrument that was held by the Portfolio during the period ended June 30, 2016 is discussed in further detail below. A summary of derivative activity by the Portfolio is reflected in the tables at the end of this section.

The Portfolio may use derivative instruments for hedging purposes (to offset risks associated with an investment, currency exposure, or market conditions), to adjust currency exposure relative to a benchmark index, or for speculative purposes (to earn income and seek to enhance returns). When the Portfolio invests in a derivative for speculative purposes, the Portfolio will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the derivative's cost. The Portfolio may not use any derivative to gain exposure to an asset or class of assets that it would be prohibited by its investment restrictions from purchasing directly. The Portfolio's ability to use derivative instruments may also be limited by tax considerations.

Investments in derivatives in general are subject to market risks that may cause their prices to fluctuate over time. Investments in derivatives may not directly correlate with the price movements of the underlying instrument. As a result, the use of derivatives may expose the Portfolio to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. The use of derivatives may result in larger losses or smaller gains than otherwise would be the case. Derivatives can be volatile and may involve significant risks.

In pursuit of its investment objective, the Portfolio may seek to use derivatives to increase or decrease exposure to the following market risk factors:

- **Commodity Risk** – the risk related to the change in value of commodities or commodity-linked investments due to changes in the overall market movements, volatility of the underlying benchmark, changes in interest rates, or other factors affecting a particular industry of commodity such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.
- **Counterparty Risk** – the risk that the counterparty (the party on the other side of the transaction) on a derivative transaction will be unable to honor its financial obligation to the Portfolio.
- **Credit Risk** – the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations.
- **Currency Risk** – the risk that changes in the exchange rate between currencies will adversely affect the value (in U.S. dollar terms) of an investment.
- **Equity Risk** – the risk related to the change in value of equity securities as they relate to increases or decreases in the general market.
- **Index Risk** – if the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index. If the index changes, the Portfolio could receive lower interest payments or experience a reduction in the value of the derivative to below what the Portfolio paid. Certain indexed securities, including inverse securities (which move in an opposite direction to the index), may create leverage, to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.
- **Interest Rate Risk** – the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause the Portfolio's NAV to likewise decrease.
- **Leverage Risk** – the risk associated with certain types of leveraged investments or trading strategies pursuant to which relatively small market movements may result in large changes in the value of an investment. The Portfolio creates leverage by investing in instruments, including derivatives, where the investment loss can exceed the original amount invested. Certain investments or trading strategies, such as short sales, that involve leverage can result in losses that greatly exceed the amount originally invested.
- **Liquidity Risk** – the risk that certain securities may be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth.

Derivatives may generally be traded OTC or on an exchange. Derivatives traded OTC are agreements that are individually negotiated between parties and can be tailored to meet a purchaser's needs. OTC derivatives are not guaranteed by a clearing agency and may be subject to increased credit risk.

In an effort to mitigate credit risk associated with derivatives traded OTC, the Portfolio may enter into collateral agreements with certain counterparties whereby, subject to certain minimum exposure requirements, the Portfolio may require the counterparty to post collateral if the Portfolio has a net aggregate unrealized gain on all OTC derivative contracts with a particular counterparty. There is no guarantee that counterparty exposure is reduced and these arrangements are dependent on Janus Capital's ability to establish and maintain appropriate systems and trading.

Forward Foreign Currency Exchange Contracts
A forward foreign currency exchange contract ("forward currency contract") is an obligation to buy or sell a specified currency at a future date at a negotiated rate (which may be U.S. dollars or a foreign currency). The Portfolio may enter into forward currency contracts for hedging purposes, including, but not limited to, reducing exposure to changes in foreign currency exchange rates on foreign portfolio holdings and locking in the U.S. dollar cost of firm purchase and sale commitments for securities denominated in or exposed to foreign currencies. The Portfolio may also invest in

forward currency contracts for nonhedging purposes such as seeking to enhance returns. The Portfolio is subject to currency risk and counterparty risk in the normal course of pursuing its investment objective through its investments in forward currency contracts.

Forward currency contracts are valued by converting the foreign value to U.S. dollars by using the current spot U.S. dollar exchange rate and/or forward rate for that currency. Exchange and forward rates as of the close of the NYSE shall be used to value the forward currency contracts. The unrealized appreciation/(depreciation) for forward currency contracts is reported in the Statement of Assets and Liabilities as a receivable or payable and in the Statement of Operations for the change in unrealized net appreciation/depreciation (if applicable). The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing a forward currency contract is reported on the Statement of Operations (if applicable).

During the period, the Portfolio entered into forward currency contracts with the obligation to sell foreign currencies in the future at an agreed upon rate in order to decrease exposure to currency risk associated with foreign currency denominated securities held by the Portfolio.

During the period ended June 30, 2016, the average ending monthly currency value amounts on sold forward currency contracts is $8,553,067. There were no forward currency contracts held at June 30, 2016.

The following tables provide information about the effect of derivatives and hedging activities on the Portfolio's Statement of Operations for the period ended June 30, 2016.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2016

Amount of Realized Gain/(Loss) Recognized on Derivatives

Derivative	*Currency Contracts*
Investments and foreign currency transactions	$ 510,766

Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives

Derivative	*Currency Contracts*
Investments, foreign currency translations and non-interested Trustees' deferred compensation	$ (289,719)

Please see the Portfolio's Statement of Operations for the Portfolio's "Net Realized and Unrealized Gain/(Loss) on Investments."

3. Other Investments and Strategies

Additional Investment Risk

The Portfolio may be invested in lower-rated debt securities that have a higher risk of default or loss of value since these securities may be sensitive to economic changes, political changes, or adverse developments specific to the issuer.

The financial crisis in both the U.S. and global economies over the past several years has resulted, and may continue to result, in a significant decline in the value and liquidity of many securities of issuers worldwide in the equity and fixed-income/credit markets. In response to the crisis, the United States and certain foreign governments, along with the U.S. Federal Reserve and certain foreign central banks, took steps to support the financial markets. The withdrawal of this support, a failure of measures put in place to respond to the crisis, or investor perception that such efforts were not sufficient could each negatively affect financial markets generally, and the value and liquidity of specific securities. In addition, policy and legislative changes in the United States and in other countries continue to impact many aspects of financial regulation. The effect of these changes on the markets, and the practical implications for market participants, including the Portfolio, may not be fully known for some time. As a result, it may also be unusually difficult to identify both investment risks and opportunities, which could limit or preclude the Portfolio's ability to achieve its investment objective. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit. As a result, financial markets in the EU experienced extreme volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom voted to exit the EU (known as "Brexit"). One or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

Certain areas of the world have historically been prone to and economically sensitive to environmental events such as, but not limited to, hurricanes, earthquakes, typhoons, flooding, tidal waves, tsunamis, erupting volcanoes, wildfires or droughts, tornadoes, mudslides, or other weather-related phenomena. Such disasters, and the resulting physical or economic damage, could have a severe and negative impact on the Portfolio's investment portfolio and, in the longer term, could impair the ability of issuers in which the Portfolio invests to conduct their businesses as they would under normal conditions. Adverse weather conditions may also have a particularly significant negative effect on issuers in the agricultural sector and on insurance companies that insure against the impact of natural disasters.

Counterparties

Portfolio transactions involving a counterparty are subject to the risk that the counterparty or a third party will not fulfill its obligation to the Portfolio ("counterparty risk"). Counterparty risk may arise because of the counterparty's financial condition (i.e., financial difficulties, bankruptcy, or insolvency), market activities and developments, or other reasons, whether foreseen or not. A counterparty's inability to fulfill its obligation may result in significant financial loss to the Portfolio. The Portfolio may be unable to recover its investment from the counterparty or may obtain a limited recovery, and/or recovery may be delayed. The extent of the Portfolio's exposure to counterparty risk with respect to financial assets and liabilities approximates its carrying value.

The Portfolio may be exposed to counterparty risk through participation in various programs, including, but not limited to, lending its securities to third parties, cash sweep arrangements whereby the Portfolio's cash balance is invested in one or more types of cash management vehicles, as well as investments in, but not limited to, repurchase agreements, debt securities, and derivatives, including various types of swaps, futures and options. The Portfolio intends to enter into financial transactions with counterparties that Janus Capital believes to be creditworthy at the time of the transaction. There is always the risk that Janus Capital's analysis of a counterparty's creditworthiness is incorrect or may change due to market conditions. To the extent that the Portfolio focuses its transactions with a limited number of counterparties, it will have greater exposure to the risks associated with one or more counterparties.

Loans

The Portfolio may invest in various commercial loans, including bank loans, bridge loans, debtor-in-possession ("DIP") loans, mezzanine loans, and other fixed and floating rate loans. These loans may be acquired through loan participations and assignments or on a when-issued basis. Commercial loans will comprise no more than 20% of the Portfolio's total assets. Below are descriptions of the types of loans held by the Portfolio as of June 30, 2016.

- **Bank Loans -** Bank loans are obligations of companies or other entities entered into in connection with recapitalizations, acquisitions, and refinancings. The Portfolio's investments in bank loans are generally acquired as a participation interest in, or assignment of, loans originated by a lender or other financial institution. These investments may include institutionally-traded floating and fixed-rate debt securities.
- **Floating Rate Loans –** Floating rate loans are debt securities that have floating interest rates, that adjust periodically, and are tied to a benchmark lending rate, such as London Interbank Offered Rate ("LIBOR"). In other cases, the lending rate could be tied to the prime rate offered by one or more major U.S. banks or the rate paid on large certificates of deposit traded in the secondary markets. If the benchmark lending rate changes, the rate payable to lenders under the loan will change at the next scheduled adjustment date specified in the loan agreement. Floating rate loans are typically issued to companies ("borrowers") in connection with recapitalizations, acquisitions, and refinancings. Floating rate loan investments are generally below investment grade. Senior floating rate loans are secured by specific collateral of a borrower and are senior in the borrower's capital structure. The senior position in the borrower's capital structure generally gives holders of senior loans a claim on certain of the borrower's assets that is senior to subordinated debt and preferred and common stock in the case of a borrower's default. Floating rate loan investments may involve foreign borrowers, and investments may be denominated in foreign currencies. Floating rate loans often involve borrowers whose financial condition is troubled or uncertain and companies that are highly leveraged. The Portfolio may invest in obligations of borrowers who are in bankruptcy proceedings. While the Portfolio generally expects to invest in fully funded term loans, certain of the loans in which the Portfolio may invest include revolving loans, bridge loans, and delayed draw term loans.

  Purchasers of floating rate loans may pay and/or receive certain fees. The Portfolio may receive fees such as covenant waiver fees or prepayment penalty fees. The Portfolio may pay fees such as facility fees. Such fees may affect the Portfolio's return.
- **Mezzanine Loans -** Mezzanine loans are secured by the stock of the company that owns the assets. Mezzanine loans are a hybrid of debt and equity financing that is typically used to fund the expansion of existing companies. A mezzanine loan is composed of debt capital that gives the lender the right to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. Mezzanine loans typically are the most subordinated debt obligation in an issuer's capital structure.

Mortgage- and Asset-Backed Securities

Mortgage- and asset-backed securities represent interests in "pools" of commercial or residential mortgages or other assets, including consumer loans or receivables. The Portfolio may purchase fixed or variable rate commercial or residential mortgage-backed securities issued by the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or other governmental or government-related entities. Ginnie Mae's guarantees are backed by the full faith and credit of the U.S. Government, which means that the U.S. Government guarantees that the interest and principal will be paid when due. Fannie Mae and Freddie Mac securities are not backed by the full faith and credit of the U.S. Government. In September 2008, the Federal Housing Finance Agency ("FHFA"), an agency of the U.S. Government, placed Fannie Mae and Freddie Mac under conservatorship. Since that time, Fannie Mae and Freddie Mac have received capital support through U.S. Treasury preferred stock purchases, and Treasury and Federal Reserve purchases of their mortgage-backed securities. The FHFA and the U.S. Treasury have imposed strict limits on the size of these entities' mortgage portfolios. The FHFA has the power to cancel any contract entered into by Fannie Mae and Freddie Mac prior to FHFA's appointment as conservator or receiver, including the guarantee obligations of Fannie Mae and Freddie Mac.

The Portfolio may also purchase other mortgage- and asset-backed securities through single- and multi-seller conduits, collateralized debt obligations, structured investment vehicles, and other similar securities. Asset-backed securities may be backed by various consumer obligations, including automobile loans, equipment leases, credit card receivables, or other collateral. In the event the underlying loans are not paid, the securities' issuer could be forced to sell the assets and recognize losses on such assets, which could impact the Portfolio's yield and your return. Unlike traditional debt instruments, payments on these securities include both interest and a partial payment of principal. Mortgage and asset-backed securities are subject to both extension risk, where borrowers pay off their debt obligations more slowly in times of rising interest rates, and prepayment risk, where borrowers pay off their debt obligations sooner than expected in times of declining interest rates. These risks may reduce the Portfolio's returns. In addition, investments in mortgage- and asset backed securities, including those comprised of subprime mortgages, may be subject to a higher degree of credit risk, valuation risk, and liquidity risk than various other types of fixed-income securities. Additionally, although mortgage-backed securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that guarantors or insurers will meet their obligations.

Real Estate Investing
The Portfolio may invest in equity and debt securities of real estate-related companies. Such companies may include those in the real estate industry or real estate-related industries. These securities may include common stocks, corporate bonds, preferred stocks, and other equity securities, including, but not limited to, mortgage-backed securities, real estate-backed securities, securities of REITs and similar REIT-like entities. A REIT is a trust that invests in real estate-related projects, such as properties, mortgage loans, and construction loans. REITs are generally categorized as equity, mortgage, or hybrid REITs. A REIT may be listed on an exchange or traded OTC.

Restricted Security Transactions
Restricted securities held by the Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933, as amended. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of the Portfolio to sell a security at a fair price and may substantially delay the sale of the security. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

Sovereign Debt
The Portfolio may invest in U.S. and foreign government debt securities ("sovereign debt"). Investments in U.S. sovereign debt are considered low risk. However, investments in non-U.S. sovereign debt can involve a high degree of risk, including the risk that the governmental entity that controls the repayment of sovereign debt may not be willing or able to repay the principal and/or to pay the interest on its sovereign debt in a timely manner. A sovereign debtor's willingness or ability to satisfy its debt obligation may be affected by various factors, including its cash flow situation, the extent of its foreign currency reserves, the availability of foreign exchange when a payment is due, the relative size of its debt position in relation to its economy as a whole, the sovereign debtor's policy toward international lenders, and local political constraints to which the governmental entity may be subject. Sovereign debtors may also be dependent on expected disbursements from foreign governments, multilateral agencies, and other entities. The failure of a sovereign debtor to implement economic reforms, achieve specified levels of economic performance, or repay principal or interest when due may result in the cancellation of third party commitments to lend funds to the sovereign debtor, which may further impair such debtor's ability or willingness to timely service its debts. The Portfolio may be requested to participate in the rescheduling of such sovereign debt and to extend further loans to governmental entities, which may adversely affect the Portfolio's holdings. In the event of default, there may be limited or no legal remedies for collecting sovereign debt and there may be no bankruptcy proceedings through which the Portfolio may collect all or part of the sovereign debt that a governmental entity has not repaid.

When-Issued and Delayed Delivery Securities
The Portfolio may purchase or sell securities on a when-issued or delayed delivery basis. When-issued and delayed delivery securities in which the Portfolio may invest include U.S. Treasury Securities, municipal bonds, bank loans, and other similar instruments. The price of the underlying securities and date when the securities will be delivered and paid for are fixed at the time the transaction is negotiated. Losses may arise due to changes in the market value of the securities or from the inability of counterparties to meet the terms of the contract. In connection with such purchases, the Portfolio may hold liquid assets as collateral with the Portfolio's custodian sufficient to cover the purchase price.

4. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio's contractual investment advisory fee rate (expressed as an annual rate) is 0.55% of its average daily net assets.

Janus Services LLC ("Janus Services"), a wholly-owned subsidiary of Janus Capital, is the Portfolio's transfer agent. Effective May 1, 2016, Janus Services receives an administrative services fee at an annual rate of 0.05% of the average daily net assets of the Portfolio for arranging for the provision by participating insurance companies and qualified plan service providers of administrative services, including recordkeeping, subaccounting, order processing, or other shareholder services provided on behalf of contract holders or plan participants investing in the Portfolio. Other shareholder services may include the provision of order confirmations, periodic account statements, forwarding prospectuses, shareholder reports, and other materials to existing investors, and answering inquiries regarding accounts. Janus Services expects to use this entire fee to compensate insurance companies and qualified plan service providers for providing these services to their customers who invest in the Portfolio. Any unused portion will be reimbursed to the applicable share class at least annually.

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services related to the shares, except for out-of-pocket costs. These amounts are disclosed as "Other transfer agent fees and expenses" on the Statement of Operations.

Under a distribution and shareholder servicing plan (the "Plan") adopted in accordance with Rule 12b-1 under the 1940 Act, the Service Shares may pay the Trust's distributor, Janus Distributors LLC ("Janus Distributors"), a wholly-owned subsidiary of Janus Capital, a fee for the sale and distribution and/or shareholder servicing of the Service Shares at an annual rate of up to 0.25% of the average daily net assets of the Service Shares. Under the terms of the Plan, the Trust is authorized to make payments to Janus Distributors for remittance to insurance companies and qualified plan service providers as compensation for distribution and/or shareholder services performed by such entities. These amounts are disclosed as "12b-1 Distribution and shareholder servicing fees" on the Statement of Operations. Payments under the Plan are not tied exclusively to actual 12b-1 distribution and servicing fees, and the payments may exceed 12b-1 distribution and servicing fees actually incurred. If any of the Portfolio's actual 12b-1 distribution and servicing fees incurred during a calendar year are less than the payments made during a calendar year, the Portfolio will be refunded the difference. Refunds, if any, are included in "12b-1 Distribution fees and shareholder servicing fees" in the Statement of Operations.

Janus Capital furnishes certain administration, compliance, and accounting services for the Portfolio and is reimbursed by the Portfolio for certain of its costs in providing those services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). In addition, employees of Janus Capital and/or its affiliates may serve as officers of the Trust. The Portfolio also pays for salaries, fees, and expenses of certain Janus Capital employees and Portfolio officers, with respect to certain specified administration functions they perform on behalf of the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and compliance staff are shared with the Portfolio. Total compensation of $28,304 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2016. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2016 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the period ended June 30, 2016 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $20,150 were paid by the Trust to a Trustee under the Deferred Plan during the period ended June 30, 2016.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or nonaffiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or nonaffiliated money market funds or cash management pooled investment vehicles. The Portfolio is eligible to participate in the cash sweep program (the "Investing Funds"). As adviser, Janus Capital has an inherent conflict of interest because of its fiduciary duties to the affiliated money market funds or cash management pooled investment vehicles and the Investing Funds. Janus Cash Liquidity Fund LLC is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. Janus Cash Liquidity Fund LLC currently maintains a NAV of $1.00 per share and distributes income daily in a manner consistent with a registered product compliant with Rule 2a-7 under the 1940 Act. There are no restrictions on the Portfolio's ability to withdraw investments from Janus Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Cash Liquidity Fund LLC. The units of Janus Cash Liquidity Fund LLC are not charged any management fee, sales charge or service fee.

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the period ended June 30, 2016 can be found in a table located in the Notes to Schedule of Investments and Other Information.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital Management LLC in accordance with Rule 17a-7 under the Investment Company Act of 1940 ("Rule 17a-7"), when the transaction is consistent with the investment objectives and policies of the Portfolio and in accordance with the Internal Cross Trade Procedures adopted by the Trust's Board of Trustees. These procedures have been designed to ensure that any cross-trade of securities by the Portfolio from or to another fund or account that is or could be considered an affiliate of the Portfolio under certain limited circumstances by virtue of having a common investment adviser, common Officer, or common Trustee complies with Rule 17a-7. Under these procedures, each cross-trade is effected at the current market price to save costs where allowed. During the period ended June 30, 2016, the Portfolio engaged in cross trades amounting to $4,348,005 in purchases and $1,173,588 in sales, resulting in a net realized gain of $56,134. The net realized gain is included in "Investments and foreign currency transactions" within the "Net Realized and Unrealized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

5. Federal Income Tax

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses, and capital loss carryovers.

The Portfolio has elected to treat gains and losses on forward foreign currency contracts as capital gains and losses, if applicable. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2016 are noted below.

Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/depreciation on foreign currency translations. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 2,149,741,080	$236,274,097	$(40,880,257)	$ 195,393,840

6. Capital Share Transactions

	Period ended June 30, 2016		Year ended December 31, 2015	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	987,685	$ 28,395,548	1,101,594	$ 34,376,815
Reinvested dividends and distributions	390,213	11,339,595	760,784	23,355,236
Shares repurchased	(1,973,115)	(56,689,129)	(2,228,010)	(68,749,424)
Net Increase/(Decrease)	(595,217)	$ (16,953,986)	(365,632)	$ (11,017,373)
Service Shares:				
Shares sold	6,596,167	$203,714,581	22,759,501	$746,923,739
Reinvested dividends and distributions	1,588,622	48,564,188	2,428,045	78,366,578
Shares repurchased	(2,789,588)	(85,612,342)	(4,476,788)	(145,175,742)
Net Increase/(Decrease)	5,395,201	$166,666,427	20,710,758	$680,114,575

7. Purchases and Sales of Investment Securities

For the period ended June 30, 2016, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, and in-kind transactions) was as follows:

Purchases of Securities	Proceeds from Sales of Securities	Purchases of Long-Term U.S. Government Obligations	Proceeds from Sales of Long-Term U.S. Government Obligations
$724,401,916	$ 600,905,283	$ 394,107,999	$ 364,571,861

8. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2016 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-0020 (toll free); (ii) on the Portfolio's website at janus.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janus.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Quarterly Portfolio Holdings

The Portfolio files its complete portfolio holdings (schedule of investments) with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days of the end of such fiscal quarter. The Portfolio's Form N-Q: (i) is available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) is available without charge, upon request, by calling Janus at 1-800-525-0020 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

In connection with their most recent consideration of those agreements for each Fund, the Trustees received and reviewed information provided by Janus Capital and the respective subadvisers in response to requests of the Trustees and their independent legal counsel. They also received and reviewed information and analysis provided by, and in response to requests of, their independent fee consultant. Throughout their consideration of the agreements, the Trustees were advised by their independent legal counsel. The Trustees met with management to consider the agreements, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 9, 2015, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from either January 1 or February 1, 2016 through January 1 or February 1, 2017, respectively, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee

for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

The Trustees concluded that the nature, extent and quality of the services provided by Janus Capital or the subadviser to each Fund were appropriate and consistent with the terms of the respective advisory and subadvisory agreements, and that, taking into account steps taken to address those Funds whose performance lagged that of their peers for certain periods, the Funds were likely to benefit from the continued provision of those services. They also concluded that Janus Capital and each subadviser had sufficient personnel, with the appropriate education and experience, to serve the Funds effectively and had demonstrated its ability to attract well-qualified personnel.

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2015, approximately 70% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2015, approximately 61% of the Funds were in the top two Broadridge quartiles of performance.

The Trustees considered the performance of each Fund, noting that performance may vary by share class, and noted the following:

<u>Fixed-Income Funds and Money Market Funds</u>

- For Janus Flexible Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and its limited performance history.
- For Janus High-Yield Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.

Value Funds

- For Perkins International Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Perkins Global Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Large Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Select Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Perkins Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and INTECH had taken or were taking to improve performance.
- For INTECH U.S. Core Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Contrarian Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Enterprise Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Forty Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Growth and Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and in the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Research Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Triton Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Twenty Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Emerging Markets Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Real Estate Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Select Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus International Equity Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Overseas Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Allocation Portfolio – Moderate, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile-for the 12 months ended May 31, 2015.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.

In consideration of each Fund's performance, the Trustees concluded that, taking into account the factors relevant to performance, as well as other considerations, including steps taken to improve performance, the Fund's performance warranted continuation of the Fund's investment advisory and subadvisory agreement(s).

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers,

was below the mean management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 14% below the mean total expenses of their respective Broadridge Expense Group peers and 24% below the mean total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 15% below the mean management fees for their Expense Groups and 19% below the mean for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the mean total expenses for its Broadridge Expense Group peers and to mean total expenses for its Broadridge Expense Universe.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual fund level, Fund expenses were found to be reasonable relative to both Expense Group and Expense Universe benchmarks. Further, for certain Funds, the independent fee consultant also performed a systematic "focus list" analysis of expenses in the context of the performance or service delivered to each set of investors in each share class in each selected Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Funds and share classes were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such Funds.

The Trustees considered the methodology used by Janus Capital and each subadviser in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional and subadvised accounts; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) the average spread between management fees charged to the Funds and those charged to Janus Capital's institutional accounts is reasonable relative to the average spreads seen in the industry; and (4) by one estimation methodology, the fee margins implied by Janus Capital's subadvised fees when compared to its mutual fund fees are reasonable relative to the estimated fee margins in the industry and relative to estimated fee margins of fund managers using Janus Capital as a subadviser.

The Trustees considered the fees for each Fund for its fiscal year ended in 2014, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Global Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus has contractually agreed to limit the Fund's expenses.
- For Janus Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group mean due to the Fund's management fee including other costs, such as custody and transfer agent services, while many funds in the peer group pay these expenses separately from their management fee. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

- For Perkins International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Global Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable.

- For Perkins Large Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Mid Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Perkins Select Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Perkins Value Plus Income Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For INTECH International Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Core Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for one share class. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Forty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

- For Janus Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Triton Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Twenty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Venture Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Select Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus International Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for its sole share class.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

The independent fee consultant found that, while assessing the reasonableness of expenses in light of Janus Capital's profits is dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons are limited in accuracy by differences in complex size, business mix, institutional account orientation, and other factors, after accepting these limitations, the level of profit earned by Janus Capital from managing the Funds is reasonable.

The Trustees concluded that the management fees payable by each Fund to Janus Capital and its affiliates, as well as the fees paid by Janus Capital to the subadvisers of subadvised Funds, were reasonable in relation to the nature, extent, and quality of the services provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies, the fees Janus Capital and the subadvisers charge to other clients, and, as applicable, the impact of fund performance on management fees payable by the Funds. The Trustees also concluded that each Fund's total expenses were reasonable, taking into account the size of the Fund, the quality of services

provided by Janus Capital and any subadviser, the investment performance of the Fund, and any expense limitations agreed to or provided by Janus Capital.

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted that their independent fee consultant provided an analysis of economies of scale, which included discussion of analysis from prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 85% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 80% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale considered in prior years, and their conflicting results, its analyses could not confirm or deny the existence of economies of scale in the Janus complex. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Fund. The Trustees concluded that Janus Capital's and the subadvisers' use of these types of client commission arrangements to obtain proprietary and third-party research products and services was consistent with regulatory requirements and guidelines and was likely to benefit each Fund. The Trustees also concluded that, other than the services provided by Janus Capital and its affiliates and subadvisers pursuant to the agreements and the fees to be paid by each Fund therefor, the Funds and Janus Capital and the subadvisers may potentially benefit from their relationship with each other in other ways. They concluded that Janus Capital and/or the subadvisers benefits from the receipt of research products and services acquired through commissions paid on portfolio transactions of the Funds and that the Funds benefit from Janus Capital's and/or the subadvisers' receipt of those products and services as well as research products and services acquired through commissions paid by other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Fund could attract other business to Janus Capital, the subadvisers or other Janus funds, and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Funds.

Management Commentary

The Management Commentary in this report includes valuable insight as well as statistical information to help you understand how your Portfolio's performance and characteristics stack up against those of comparable indices.

If the Portfolio invests in foreign securities, this report may include information about country exposure. Country exposure is based primarily on the country of risk. A company may be allocated to a country based on other factors such as location of the company's principal office, the location of the principal trading market for the company's securities, or the country where a majority of the company's revenues are derived.

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2016. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus in general.

Performance Overviews

Performance overview graphs compare the performance of a hypothetical $10,000 investment in the Portfolio with one or more widely used market indices. When comparing the performance of the Portfolio with an index, keep in mind that market indices are not available for investment and do not reflect deduction of expenses.

Average annual total returns are quoted for a Portfolio with more than one year of performance history. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period. Average annual total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Cumulative total returns are quoted for a Portfolio with less than one year of performance history. Cumulative total return is the growth or decline in value of an investment over time, independent of the period of time involved. Cumulative total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Pursuant to federal securities rules, expense ratios shown in the performance chart reflect subsidized (if applicable) and unsubsidized ratios. The total annual fund operating expenses ratio is gross of any fee waivers, reflecting the Portfolio's unsubsidized expense ratio. The net annual fund operating expenses ratio (if applicable) includes contractual waivers of Janus Capital and reflects the Portfolio's subsidized expense ratio. Ratios may be higher or lower than those shown in the "Financial Highlights" in this report.

Schedule of Investments

Following the performance overview section is the Portfolio's Schedule of Investments. This schedule reports the types of securities held in the Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. Government obligations, etc.) and by industry classification (banking, communications, insurance, etc.). Holdings are subject to change without notice.

The value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

If the Portfolio invests in foreign securities, it will also provide a summary of investments by country. This summary reports the Portfolio exposure to different countries by providing the percentage of securities invested in each country. The country of each security represents the country of risk. The Portfolio's Schedule of Investments relies upon the industry group and country classifications published by Barclays and/or MSCI Inc.

Tables listing details of individual forward currency contracts, futures, written options, swaptions, and swaps follow the Portfolio's Schedule of Investments (if applicable).

Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolio on the last day of the reporting period.

The Portfolio's assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on securities owned, and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolio's liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid, and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as unrealized gain or loss on forward currency contracts.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolio's net assets. Because the Portfolio must distribute substantially all earnings, you will notice that a significant portion of net assets is shareholder capital.

The last section of this statement reports the net asset value ("NAV") per share on the last day of the reporting period. The NAV is calculated by dividing the Portfolio's net assets for each share class (assets minus liabilities) by the number of shares outstanding.

Statement of Operations

This statement details the Portfolio's income, expenses, realized gains and losses on securities and currency transactions, and changes in unrealized appreciation or depreciation of Portfolio holdings.

The first section in this statement, entitled "Investment Income," reports the dividends earned from securities and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses incurred by the Portfolio, including the advisory fee paid to the investment adviser, transfer agent fees and expenses, and printing and postage for mailing statements, financial reports and prospectuses. Expense offsets and expense reimbursements, if any, are also shown.

The last section lists the amounts of realized gains or losses from investment and foreign currency transactions, and changes in unrealized appreciation or depreciation of investments and foreign currency-denominated assets and liabilities. The Portfolio will realize a gain (or loss) when it sells its position in a particular security. A change in unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolio during the reporting period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

Statements of Changes in Net Assets

These statements report the increase or decrease in the Portfolio's net assets during the reporting period. Changes in the Portfolio's net assets are attributable to investment operations, dividends and distributions to investors, and capital share transactions. This is important to investors because it shows exactly what caused the Portfolio's net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolio's investment operations. The Portfolio's net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends and/or distributions in cash, money is taken out of the Portfolio to pay the dividend and/or distribution. If investors reinvest their dividends and/or distributions, the Portfolio's net assets will not be affected. If you compare the Portfolio's "Net Decrease from Dividends and Distributions" to "Reinvested Dividends and Distributions," you will notice that dividends and distributions have little effect on the Portfolio's net assets. This is because the majority of the Portfolio's investors reinvest their dividends and/or distributions.

The reinvestment of dividends and distributions is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolio through purchases or withdrawals via redemptions. The Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from the Portfolio.

Financial Highlights

This schedule provides a per-share breakdown of the components that affect the Portfolio's NAV for current and past reporting periods as well as total return, asset size, ratios, and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income/(loss) per share. Following is the per share total of net gains/(losses), realized and unrealized. Per share dividends and distributions to investors are then subtracted to arrive at the NAV per share at the end of the

period. The next line reflects the total return for the period. Also included are ratios of expenses and net investment income to average net assets.

The Portfolio's expenses may be reduced through expense offsets and expense reimbursements. The ratios shown reflect expenses before and after any such offsets and reimbursements.

The ratio of net investment income/(loss) summarizes the income earned less expenses, divided by the average net assets of the Portfolio during the reporting period. Do not confuse this ratio with the Portfolio's yield. The net investment income ratio is not a true measure of the Portfolio's yield because it does not take into account the dividends distributed to the Portfolio's investors.

The next figure is the portfolio turnover rate, which measures the buying and selling activity in the Portfolio. Portfolio turnover is affected by market conditions, changes in the asset size of the Portfolio, fluctuating volume of shareholder purchase and redemption orders, the nature of the Portfolio's investments, and the investment style and/or outlook of the portfolio manager(s) and/or investment personnel. A 100% rate implies that an amount equal to the value of the entire portfolio was replaced once during the fiscal year; a 50% rate means that an amount equal to the value of half the portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the entire portfolio is traded every six months.

Janus Aspen Balanced Portfolio
Shareholder Meeting (unaudited)

A Special Meeting of Shareholders of the Portfolio was held on June 14, 2016. At the meeting, the following matter was voted on and approved by the Shareholders. Each whole or fractional vote reported represents one whole or fractional dollar of net asset value held on the record date for the meeting. The results of the Special Meeting of Shareholders are noted below.

Proposal
To elect eight Trustees, each of whom is considered "independent."

		Number of Votes ($)		
Trustees	*Record Date Votes ($)*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	7,477,409,597.098	6,576,576,690.332	262,206,698.204	6,838,783,388.536
William D. Cvengros	7,477,409,597.098	6,565,725,463.575	273,057,924.961	6,838,783,388.536
Raudline Etienne	7,477,409,597.098	6,560,661,215.330	278,122,173.206	6,838,783,388.536
William F. McCalpin	7,477,409,597.098	6,572,385,644.563	266,397,743.973	6,838,783,388.536
Gary A. Poliner	7,477,409,597.098	6,576,207,507.849	262,575,880.687	6,838,783,388.536
James T. Rothe	7,477,409,597.098	6,559,365,918.898	279,417,469.638	6,838,783,388.536
William D. Stewart	7,477,409,597.098	6,558,013,404.302	280,769,984.235	6,838,783,388.536
Linda S. Wolf	7,477,409,597.098	6,565,131,501.186	273,651,887.350	6,838,783,388.536

	Votes (%)			Percentage Voted (%)		
Trustees	*Affirmative*	*Withheld*	*Total*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	87.953	3.507	91.459	96.166	3.834	100.000
William D. Cvengros	87.807	3.652	91.459	96.007	3.993	100.000
Raudline Etienne	87.740	3.719	91.459	95.933	4.067	100.000
William F. McCalpin	87.897	3.563	91.459	96.105	3.895	100.000
Gary A. Poliner	87.948	3.512	91.459	96.160	3.840	100.000
James T. Rothe	87.722	3.737	91.459	95.914	4.086	100.000
William D. Stewart	87.704	3.755	91.459	95.894	4.106	100.000
Linda S. Wolf	87.800	3.660	91.459	95.999	4.001	100.000

Janus provides access to a wide range of investment disciplines.

Alternative
Janus alternative funds seek to deliver strong risk-adjusted returns over a full market cycle with lower correlation to equity markets than traditional investments.

Asset Allocation
Janus' asset allocation funds utilize our fundamental, bottom-up research to balance risk over the long term. From fund options that meet investors' risk tolerance and objectives to a method that incorporates non-traditional investment choices to seek non-correlated sources of risk and return, Janus' asset allocation funds aim to allocate risk more effectively.

Fixed Income
Janus fixed income funds attempt to provide less risk relative to equities while seeking to deliver a competitive total return through high current income and appreciation. Janus money market funds seek capital preservation and liquidity with current income as a secondary objective.

Global & International
Janus global and international funds seek to leverage Janus' research capabilities by taking advantage of inefficiencies in foreign markets, where accurate information and analytical insight are often at a premium.

Growth & Core
Janus growth funds focus on companies believed to be the leaders in their respective industries, with solid management teams, expanding market share, margins and efficiencies. Janus core funds seek investments in more stable and predictable companies. Our core funds look for a strategic combination of steady growth and, for certain funds, some degree of income.

Mathematical
Our mathematical funds seek to outperform their respective indices while maintaining a risk profile equal to or lower than the index itself. Managed by INTECH® (a Janus subsidiary), these funds use a mathematical process in an attempt to build a more "efficient" portfolio than the index.

Value
Our value funds, managed by Perkins® (a Janus subsidiary), seek to identify companies with favorable reward to risk characteristics by conducting rigorous downside analysis before determining upside potential.

For more information about our funds, contact your investment professional or go to janus.com/variable-insurance.

JANUS®

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus at 877.33JANUS (52687) or download the file from janus.com/variable-insurance. Read it carefully before you invest or send money.

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SEMIANNUAL REPORT
June 30, 2016

Janus Aspen Janus Portfolio

Janus Aspen Series

HIGHLIGHTS

- Portfolio management perspective
- Investment strategy behind your portfolio
- Portfolio performance, characteristics and holdings

JANUS®

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Janus Aspen Janus Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We believe buying high-quality growth franchises with sustainable, projected above-average earnings growth for the next five-plus years and market leadership positions driven by a clearly articulated strategy should allow us to outperform our benchmark and peers over the long term. We perform in-depth, fundamental research to build a diversified, moderately positioned portfolio aiming to deliver peer- and index-beating returns while managing for risk and volatility.

Jean Barnard
co-portfolio manager

Barney Wilson
co-portfolio manager

PERFORMANCE OVERVIEW

For the six-month period ended June 30, 2016, Janus Aspen Janus Portfolio's Institutional Shares and Service Shares returned -1.75% and -1.86%, respectively. Meanwhile, the Portfolio's primary benchmark, the Russell 1000 Growth Index, returned 1.36% and its secondary benchmark, the S&P 500 Index, returned 3.84%. Another benchmark we use to measure performance, the Core Growth Index, returned 2.59%. The Core Growth Index is an internally-calculated benchmark combining returns from the Russell 1000 Growth Index (50%) and S&P 500 Index (50%).

INVESTMENT ENVIRONMENT

After recovering from a winter correction, U.S. stocks traded narrowly for much of the period. Steady retail sales along with a key manufacturing survey's return to expansion territory helped push markets higher. Stocks were jolted late in the period by the UK electorate's surprise decision to leave the European Union. The market sold off sharply as capital flowed into safe-haven securities. In the final days of the period, however, U.S. shares recaptured much of their post-Brexit slide.

On a sector basis, energy performed well on the back of higher crude oil prices. Defensive sectors also generated positive returns, while cyclical sectors lagged. After having declined sharply on late-period Brexit news, financials recovered lost ground in June's final trading sessions.

PERFORMANCE DISCUSSION

Our investment process seeks to identify companies with clearly definable, sustainable long-term growth drivers. These companies often have high barriers to entry and notable competitive advantages in attractive, growing industries. They also have strong management teams with clear visions for the futures of their companies. We believe a collection of companies with these competitive advantages should lead to compounded growth in excess of the market over longer time horizons.

The Portfolio underperformed both its primary benchmark, the Russell 1000 Growth Index, and also its secondary benchmarks, the S&P 500 Index and the Core Growth Index. Three stocks that contributed negative performance for the Portfolio during the period were Allergan, Norwegian Cruise Line Holdings and Endo International. Early in the second quarter, Allergan's merger with Pfizer was called off after the U.S. Treasury Department issued last-minute constraints on so-called tax inversions, which diminished the viability of the transaction. Despite this setback, we continue to favor Allergan as a standalone enterprise with solid growth prospects, a high-quality pipeline, and a management team that has acted in the interests of shareholders. Furthermore, Allergan stands to benefit from the pending sale of its generic business to Teva Pharmaceutical, which should provide about $36 billion in capital for possible acquisitions and share buybacks.

Our investment in Norwegian Cruise Line Holdings suffered from fears that geopolitical events might cause a decline in demand for leisure travel in the eastern Mediterranean region. Uncertainty surrounding the spread of the Zika virus and its impact on global travel also weighed on the company's stock. Our outlook for Norwegian Cruise Line remains positive based on the company's ability to expand its market share in the leisure travel industry, and management's focus on generating higher returns on invested capital.

Specialty pharmaceutical firm Endo International reported first quarter earnings that were in line with estimates, though management lowered its guidance significantly. The subdued outlook was largely due to a weak environment for generics; the loss of exclusivity for Voltaren, an anti-inflammatory nonsteroidal gel; and muted initial sales growth for Belbuca, a chronic pain medication. Endo was also impacted by negative sentiment surrounding the industry as a whole. Questionable accounting and drug pricing tactics at one of the largest and most well-known specialty pharmaceutical companies, which we do not own, cast a shadow over all companies in the industry, and this impacted Endo's shares. We eliminated our position in Endo during the period.

Three stocks that contributed positive performance for the Portfolio during the period were Boston Scientific, Comcast and Facebook. Boston Scientific is, in our view, a well-managed, innovative medical technology company. During the period, the company delivered its strongest quarter of organic revenue growth in more than a decade, driven by sales in its cardiovascular and medical surgery product divisions. Additionally, Boston Scientific received FDA approval of its Watchman heart valve device, which offers an innovative alternative to long-term blood thinner therapy. We remain positive on the stock as we expect continued attractive organic revenue growth and improving margins over the next several years.

The Portfolio's shares in broadcasting and cable TV giant Comcast benefited from what we view as best-in-class operational execution for the industry. Investments in better products and improved customer service are resulting in market share gains for the company. During the first quarter, a strong advertising environment and better than expected subscriber growth helped lift Comcast's stock. We continue to like the company and believe its strong broadband capabilities and leading product innovation leave it more insulated from the risk of substitute video services than most other pay television providers. The company has a strong balance sheet with a growing free-cash-flow profile.

Our stock in Facebook appreciated due largely to solid earnings growth, driven by an increasing shift toward digital advertising and the company's ability to take market share due to its high share of usage on mobile devices and new advertising format launches. Facebook also experienced success in video advertising on its Facebook platform, and user growth in Instagram. We remain believers in the company's ability to maintain a high rate of growth in the months ahead.

Please see the Derivative Instruments section in the "Notes to Financial Statements" for a discussion of derivatives used by the Portfolio.

OUTLOOK

While the equity markets were choppy during the first half of 2016, we continue to see significant potential in the market for large cap growth stocks – a category that includes high quality companies in growth areas such as cloud computing, software as a service, pharmaceuticals and financial technology and analytics. Going forward, we plan to stick to our process of identifying companies that are winning in the product marketplace, and that are well positioned to deliver better than average growth with stable or increasing returns on capital.

Thank you for your investment in Janus Aspen Janus Portfolio.

Janus Aspen Janus Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Top Performers - Holdings

	Contribution
Boston Scientific Corp.	0.36%
Comcast Corp. - Class A	0.28%
Facebook, Inc. - Class A	0.27%
Dollar General Corp.	0.26%
Bristol-Myers Squibb Co.	0.24%

5 Bottom Performers - Holdings

	Contribution
Allergan PLC	-0.70%
Norwegian Cruise Line Holdings, Ltd.	-0.52%
Endo International PLC	-0.48%
Alphabet, Inc. - Class A	-0.45%
CBRE Group, Inc. - Class A	-0.32%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Information Technology	0.09%	31.45%	27.85%
Utilities	0.06%	0.46%	0.05%
Other**	-0.03%	3.86%	0.00%
Industrials	-0.08%	9.35%	10.97%
Materials	-0.09%	1.30%	3.53%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Consumer Staples	-0.89%	7.36%	11.76%
Financials	-0.73%	6.11%	5.62%
Telecommunication Services	-0.39%	0.69%	2.29%
Consumer Discretionary	-0.27%	22.57%	21.18%
Health Care	-0.24%	16.13%	16.21%

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

* Based on sector classification according to the Global Industry Classification Standard ("GICS") codes, which are the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

** Not a GICS classified sector.

Janus Aspen Janus Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Largest Equity Holdings - (% of Net Assets)

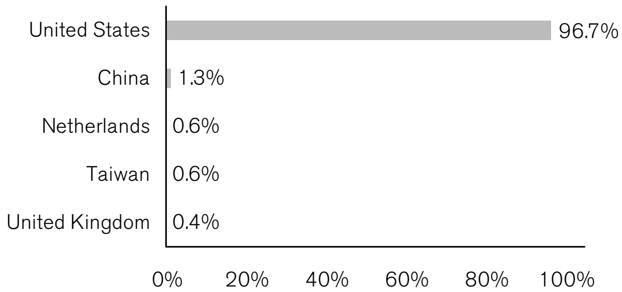
Alphabet, Inc. - Class C	
Internet Software & Services	5.0%
Facebook, Inc. - Class A	
Internet Software & Services	3.2%
Amazon.com, Inc.	
Internet & Catalog Retail	3.1%
Bristol-Myers Squibb Co.	
Pharmaceuticals	3.0%
Apple, Inc.	
Technology Hardware, Storage & Peripherals	2.7%
	17.0%

Asset Allocation - (% of Net Assets)

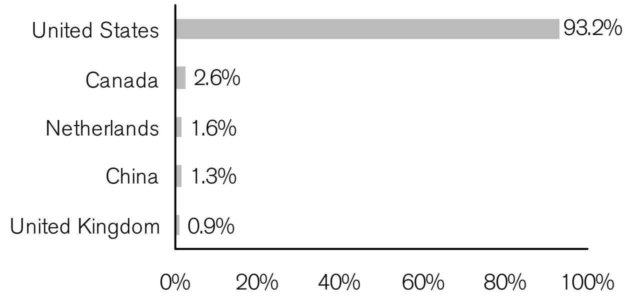
Common Stocks	95.9%
Investment Companies	3.6%
Other	0.5%
	100.0%

Top Country Allocations - Long Positions - (% of Investment Securities)

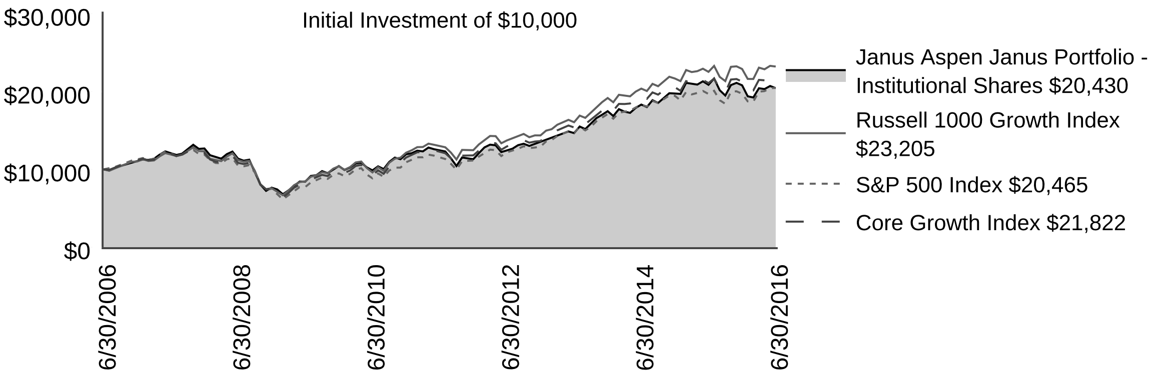
As of June 30, 2016



As of December 31, 2015



Janus Aspen Janus Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2016	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2016 prospectuses: Total Annual Fund Operating Expenses
Institutional Shares	-1.75%	-2.05%	10.42%	7.41%	7.78%	0.76%
Service Shares	-1.86%	-2.28%	10.15%	7.14%	7.49%	1.02%
Russell 1000 Growth Index	1.36%	3.02%	12.35%	8.78%	8.54%	
S&P 500 Index	3.84%	3.99%	12.10%	7.42%	8.98%	
Core Growth Index	2.59%	3.51%	12.23%	8.12%	8.80%	
Morningstar Quartile - Institutional Shares	-	2nd	2nd	2nd	3rd	
Morningstar Ranking - based on total returns for Large Growth Funds	-	822/1,679	672/1,512	621/1,314	297/532	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 877.33JANUS(52687) or visit janus.com/variable-insurance.

This Portfolio has a performance-based management fee that may adjust up or down based on the Portfolio's performance.

A Portfolio's performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a Portfolio may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each Portfolio has different risks. Please see a Janus prospectus for more information about risks, portfolio holdings and other details.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Returns shown would have been lower had they included insurance charges.

Returns include reinvestment of all dividends and distributions and do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares. The returns do not include adjustments in accordance with generally accepted accounting principles required at the period end for financial reporting purposes.

See Financial Highlights for actual expense ratios during the reporting period.

Performance for Service Shares prior to December 31, 1999 reflects the performance of Institutional Shares, adjusted to reflect the expenses of Service Shares.

Ranking is for the share class shown only; other classes may have different performance characteristics.

See important disclosures on the next page.

Janus Aspen Janus Portfolio (unaudited)
Performance

There is no assurance that the investment process will consistently lead to successful investing.

See Notes to Schedule of Investments and Other Information for index definitions.

A Portfolio's holdings may differ significantly from the securities held in an index. An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

See "Useful Information About Your Portfolio Report."

Effective January 12, 2016, Barney Wilson and Jean Barnard are Co-Portfolio Managers of the Portfolio.

*The Portfolio's inception date – September 13, 1993

Janus Aspen Janus Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual 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 example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these columns, 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 appropriate column for your share class under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio'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 Portfolio 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. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as any charges at the separate account level or contract level. These fees are fully described in the Portfolio's prospectuses. Therefore, the hypothetical examples are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Net Annualized Expense Ratio (1/1/16 - 6/30/16)
Institutional Shares	$1,000.00	$982.50	$3.20	$1,000.00	$1,021.63	$3.27	0.65%
Service Shares	$1,000.00	$981.40	$4.38	$1,000.00	$1,020.44	$4.47	0.89%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). Expenses in the examples include the effect of applicable fee waivers and/or expense reimbursements, if any. Had such waivers and/or reimbursements not been in effect, your expenses would have been higher. Please refer to the Notes to Financial Statements or the Portfolio's prospectuses for more information regarding waivers and/or reimbursements.

Janus Aspen Janus Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – 95.9%		
Aerospace & Defense – 3.6%		
General Dynamics Corp.	12,840	$1,787,842
Honeywell International, Inc.	45,135	5,250,103
Northrop Grumman Corp.	27,733	6,164,491
TransDigm Group, Inc.*	19,922	5,253,232
		18,455,668
Airlines – 0.6%		
Southwest Airlines Co.	76,230	2,988,978
Auto Components – 0.6%		
Delphi Automotive PLC	48,048	3,007,805
Beverages – 2.0%		
Coca-Cola Co.	227,032	10,291,361
Biotechnology – 2.7%		
Amgen, Inc.	46,952	7,143,747
Celgene Corp.*	49,422	4,874,492
Regeneron Pharmaceuticals, Inc.*	4,160	1,452,797
		13,471,036
Building Products – 0.4%		
Allegion PLC	26,872	1,865,723
Consumer Finance – 0.6%		
Synchrony Financial	127,126	3,213,745
Containers & Packaging – 0.9%		
Ball Corp.	62,449	4,514,438
Diversified Consumer Services – 0.5%		
ServiceMaster Global Holdings, Inc.*	62,905	2,503,619
Diversified Financial Services – 2.4%		
Intercontinental Exchange, Inc.	24,374	6,238,769
Markit, Ltd.*	66,933	2,182,016
S&P Global, Inc.	32,843	3,522,740
		11,943,525
Electrical Equipment – 0.5%		
Sensata Technologies Holding NV*	70,528	2,460,722
Electronic Equipment, Instruments & Components – 0.9%		
Amphenol Corp. - Class A	82,807	4,747,325
Food & Staples Retailing – 2.4%		
Costco Wholesale Corp.	36,027	5,657,680
Kroger Co.	174,064	6,403,815
		12,061,495
Health Care Equipment & Supplies – 1.5%		
Boston Scientific Corp.*	158,694	3,708,679
Teleflex, Inc.	22,579	4,003,482
		7,712,161
Health Care Providers & Services – 0.8%		
Aetna, Inc.	19,090	2,331,462
AmerisourceBergen Corp.	23,304	1,848,473
		4,179,935
Health Care Technology – 1.0%		
athenahealth, Inc.*	37,170	5,129,832
Hotels, Restaurants & Leisure – 5.7%		
Aramark	165,866	5,543,242
Dunkin' Brands Group, Inc.	146,760	6,401,671
McDonald's Corp.	58,496	7,039,409
Norwegian Cruise Line Holdings, Ltd.*	156,101	6,219,064
Starbucks Corp.	59,984	3,426,286
		28,629,672
Household Products – 2.1%		
Colgate-Palmolive Co.	37,365	2,735,118
Kimberly-Clark Corp.	56,905	7,823,299
		10,558,417

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Janus Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Industrial Conglomerates – 2.0%		
General Electric Co.	203,120	$6,394,218
Roper Industries, Inc.	20,472	3,491,704
		9,885,922
Information Technology Services – 5.3%		
Broadridge Financial Solutions, Inc.	30,643	1,997,924
Cognizant Technology Solutions Corp. - Class A*	78,500	4,493,340
Fidelity National Information Services, Inc.	46,508	3,426,709
MasterCard, Inc. - Class A	78,194	6,885,764
Visa, Inc. - Class A	136,824	10,148,236
		26,951,973
Internet & Catalog Retail – 3.6%		
Amazon.com, Inc.*	22,208	15,892,489
Ctrip.com International, Ltd. (ADR)*	52,778	2,174,454
		18,066,943
Internet Software & Services – 11.1%		
Alibaba Group Holding, Ltd. (ADR)*	56,911	4,526,132
Alphabet, Inc. - Class A*	6,551	4,608,825
Alphabet, Inc. - Class C*	36,633	25,353,699
CoStar Group, Inc.*	25,648	5,608,192
Facebook, Inc. - Class A*	141,997	16,227,417
		56,324,265
Leisure Products – 0.7%		
Mattel, Inc.	30,971	969,083
Polaris Industries, Inc.	34,367	2,809,846
		3,778,929
Life Sciences Tools & Services – 1.4%		
Quintiles Transnational Holdings, Inc.*	61,957	4,047,031
Thermo Fisher Scientific, Inc.	21,220	3,135,467
		7,182,498
Media – 2.9%		
Comcast Corp. - Class A	163,392	10,651,524
Liberty Global PLC - Class C*	129,905	3,721,778
Liberty Global PLC LiLAC*	16,208	526,598
		14,899,900
Multiline Retail – 2.1%		
Dollar General Corp.	47,205	4,437,270
Dollar Tree, Inc.*	66,197	6,238,405
		10,675,675
Oil, Gas & Consumable Fuels – 0.6%		
Anadarko Petroleum Corp.	24,482	1,303,666
Antero Resources Corp.*	67,048	1,741,907
		3,045,573
Personal Products – 1.0%		
Estee Lauder Cos., Inc. - Class A	53,912	4,907,070
Pharmaceuticals – 8.5%		
Allergan PLC*	53,871	12,449,049
Bristol-Myers Squibb Co.	207,906	15,291,486
Eli Lilly & Co.	96,232	7,578,270
Jazz Pharmaceuticals PLC*	24,447	3,454,606
Mallinckrodt PLC*	38,803	2,358,446
Zoetis, Inc.	43,438	2,061,567
		43,193,424
Professional Services – 2.2%		
Equifax, Inc.	1,947	249,995
Nielsen Holdings PLC	65,125	3,384,546
Verisk Analytics, Inc.*	90,151	7,309,443
		10,943,984
Real Estate Investment Trusts (REITs) – 1.8%		
American Tower Corp.	68,183	7,746,271

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Janus Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Real Estate Investment Trusts (REITs) – (continued)		
Colony Starwood Homes[ß]	42,973	$1,176,515
		8,922,786
Real Estate Management & Development – 1.5%		
CBRE Group, Inc. - Class A*	185,981	4,924,777
Colony American Homes Holdings III LP[§]	442,372	2,752,173
		7,676,950
Road & Rail – 0.4%		
Canadian Pacific Railway, Ltd. (U.S. Shares)	15,226	1,960,957
Semiconductor & Semiconductor Equipment – 2.2%		
Broadcom, Ltd.	33,765	5,247,081
NXP Semiconductors NV*	38,618	3,025,334
Taiwan Semiconductor Manufacturing Co., Ltd.	545,942	2,760,677
		11,033,092
Software – 10.8%		
Adobe Systems, Inc.*	93,574	8,963,453
ANSYS, Inc.*	31,804	2,886,213
Cadence Design Systems, Inc.*	285,773	6,944,284
Microsoft Corp.	261,459	13,378,857
NetSuite, Inc.*	41,467	3,018,798
Salesforce.com, Inc.*	90,413	7,179,696
SS&C Technologies Holdings, Inc.	124,920	3,507,754
Tyler Technologies, Inc.*	14,208	2,368,616
Ultimate Software Group, Inc.*	19,421	4,084,042
Workday, Inc. - Class A*	33,307	2,487,034
		54,818,747
Specialty Retail – 3.7%		
AutoZone, Inc.*	6,199	4,921,014
Home Depot, Inc.	80,706	10,305,349
Sally Beauty Holdings, Inc.*	126,783	3,728,688
		18,955,051
Technology Hardware, Storage & Peripherals – 2.7%		
Apple, Inc.	140,606	13,441,934
Textiles, Apparel & Luxury Goods – 0.9%		
NIKE, Inc. - Class B	81,324	4,489,085
Tobacco – 0.6%		
Altria Group, Inc.	41,906	2,889,838
Wireless Telecommunication Services – 0.7%		
T-Mobile US, Inc.*	87,314	3,778,077
Total Common Stocks (cost $401,391,516)		485,558,130
Investment Companies – 3.6%		
Money Markets – 3.6%		
Janus Cash Liquidity Fund LLC, 0.4506%[∞,£] (cost $18,210,533)	18,210,533	18,210,533
Total Investments (total cost $419,602,049) – 99.5%		503,768,663
Cash, Receivables and Other Assets, net of Liabilities – 0.5%		2,603,775
Net Assets – 100%		$506,372,438

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Janus Portfolio
Schedule of Investments (unaudited)
June 30, 2016

Summary of Investments by Country - (Long Positions) (unaudited)

Country	*Value*	*% of Investment Securities*
United States	$487,139,093	96.7 %
China	6,700,586	1.3
Netherlands	3,025,334	0.6
Taiwan	2,760,677	0.6
United Kingdom	2,182,016	0.4
Canada	1,960,957	0.4
Total	$503,768,663	100.0 %

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Janus Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

Russell 1000® Growth Index	Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
Core Growth Index	An internally-calculated, hypothetical combination of total returns from the Russell 1000® Growth Index (50%) and the S&P 500® Index (50%).
S&P 500® Index	Measures broad U.S. equity performance.
ADR	American Depositary Receipt
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company
U.S. Shares	Securities of foreign companies trading on an American stock exchange.

* Non-income producing security.

ß Security is illiquid.

ºº Rate shown is the 7-day yield as of June 30, 2016.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the period ended June 30, 2016. Unless otherwise indicated, all information in the table is for the period ended June 30, 2016.

	Share Balance at 12/31/15	*Purchases*	*Sales*	*Share Balance at 6/30/16*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/16*
Janus Cash Liquidity Fund LLC	17,559,010	58,222,523	(57,571,000)	18,210,533	$—	$36,622	$18,210,533

§ Schedule of Restricted and Illiquid Securities (as of June 30, 2016)

	Acquisition Date	*Cost*	*Value*	*Value as a % of Net Assets*
Colony American Homes Holdings III LP	1/30/13	$ 3,058,780	$ 2,752,173	0.5 %

The Portfolio has registration rights for certain restricted securities held as of June 30, 2016. The issuer incurs all registration costs.

Janus Aspen Janus Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of June 30, 2016. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets			
Investments in Securities:			
Common Stocks			
Real Estate Investment Trusts (REITs)	$ 7,746,271	$ 1,176,515	$ -
Real Estate Management & Development	4,924,777	-	2,752,173
Semiconductor & Semiconductor Equipment	8,272,415	2,760,677	-
All Other	457,925,302	-	-
Investment Companies	-	18,210,533	-
Total Assets	$ 478,868,765	$ 22,147,725	$ 2,752,173

Janus Aspen Janus Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2016

Assets:		
Investments, at cost	$	419,602,049
Unaffiliated investments, at value		485,558,130
Affiliated investments, at value		18,210,533
Cash		5,094
Non-interested Trustees' deferred compensation		9,165
Receivables:		
Investments sold		5,356,821
Dividends		480,839
Portfolio shares sold		36,942
Foreign tax reclaims		9,358
Dividends from affiliates		6,635
Other assets		1,181
Total Assets		509,674,698
Liabilities:		
Payables:		
Investments purchased		2,530,487
Portfolio shares repurchased		335,505
Advisory fees		252,941
12b-1 Distribution and shareholder servicing fees		31,603
Transfer agent fees and expenses		21,425
Professional fees		16,023
Non-interested Trustees' deferred compensation fees		9,165
Portfolio administration fees		3,990
Non-interested Trustees' fees and expenses		3,488
Accrued expenses and other payables		97,633
Total Liabilities		3,302,260
Net Assets	$	506,372,438
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	465,995,421
Undistributed net investment income/(loss)		122,185
Undistributed net realized gain/(loss) from investments and foreign currency transactions		(43,912,226)
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		84,167,058
Total Net Assets	$	506,372,438
Net Assets - Institutional Shares	$	354,100,365
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		12,498,719
Net Asset Value Per Share	$	28.33
Net Assets - Service Shares	$	152,272,073
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		5,489,752
Net Asset Value Per Share	$	27.74

See Notes to Financial Statements.

Janus Aspen Janus Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2016

Investment Income:		
Dividends	$	2,613,984
Dividends from affiliates		36,622
Foreign tax withheld		(23,546)
Total Investment Income		2,627,060
Expenses:		
Advisory fees		1,429,727
12b-1Distribution and shareholder servicing fees:		
Service Shares		186,311
Transfer agent administrative fees and expenses:		
Institutional Shares		29,817
Service Shares		12,841
Other transfer agent fees and expenses:		
Institutional Shares		1,631
Service Shares		513
Portfolio administration fees		20,526
Professional fees		18,409
Registration fees		16,891
Shareholder reports expense		14,698
Non-interested Trustees' fees and expenses		7,613
Custodian fees		7,175
Other expenses		82,116
Total Expenses		1,828,268
Net Investment Income/(Loss)		798,792
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		3,771,290
Total Net Realized Gain/(Loss) on Investments		3,771,290
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		(14,869,112)
Total Change in Unrealized Net Appreciation/Depreciation		(14,869,112)
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	(10,299,030)

See Notes to Financial Statements.

Janus Aspen Janus Portfolio
Statements of Changes in Net Assets

		Period ended June 30, 2016 (unaudited)		Year ended December 31, 2015
Operations:				
Net investment income/(loss)	$	798,792	$	2,423,025
Net realized gain/(loss) on investments		3,771,290		54,681,930
Change in unrealized net appreciation/depreciation		(14,869,112)		(25,084,006)
Net Increase/(Decrease) in Net Assets Resulting from Operations		(10,299,030)		32,020,949
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(1,308,165)		(2,514,668)
Service Shares		(409,347)		(760,540)
Total Dividends from Net Investment Income		(1,717,512)		(3,275,208)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(21,802,599)		(72,391,999)
Service Shares		(9,582,278)		(30,930,074)
Total Distributions from Net Realized Gain from Investment Transactions		(31,384,877)		(103,322,073)
Net Decrease from Dividends and Distributions to Shareholders		(33,102,389)		(106,597,281)
Capital Share Transactions:				
Institutional Shares		3,582,432		(236,536)
Service Shares		2,380,764		24,363,244
Net Increase/(Decrease) from Capital Share Transactions		5,963,196		24,126,708
Net Increase/(Decrease) in Net Assets		(37,438,223)		(50,449,624)
Net Assets:				
Beginning of period		543,810,661		594,260,285
End of period	$	506,372,438	$	543,810,661
Undistributed Net Investment Income/(Loss)	$	122,185	$	1,040,905

See Notes to Financial Statements.

Janus Aspen Janus Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$30.84	$35.76	$34.20	$26.45	$22.84	$24.26
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.06(1)	0.17(1)	0.15(1)	0.16	0.27	0.20
Net realized and unrealized gain/(loss)	(0.60)	1.92	4.08	7.83	3.92	(1.48)
Total from Investment Operations	(0.54)	2.09	4.23	7.99	4.19	(1.28)
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.11)	(0.23)	(0.13)	(0.24)	(0.14)	(0.14)
Distributions (from capital gains)	(1.86)	(6.78)	(2.54)	—	(0.44)	—
Total Dividends and Distributions	(1.97)	(7.01)	(2.67)	(0.24)	(0.58)	(0.14)
Net Asset Value, End of Period	$28.33	$30.84	$35.76	$34.20	$26.45	$22.84
Total Return*	(1.75)%	5.35%	12.99%	30.34%	18.59%	(5.30)%
Net Assets, End of Period (in thousands)	$354,100	$380,663	$431,838	$433,603	$374,860	$352,646
Average Net Assets for the Period (in thousands)	$355,954	$413,393	$420,607	$399,973	$377,786	$393,230
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.65%	0.71%	0.55%	0.54%	0.53%	0.62%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.65%	0.71%	0.55%	0.54%	0.53%	0.62%
Ratio of Net Investment Income/(Loss)	0.39%	0.49%	0.44%	0.65%	1.08%	0.81%
Portfolio Turnover Rate	30%	54%	60%	50%	38%	90%

Service Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$30.24	$35.21	$33.74	$26.13	$22.60	$24.03
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.02(1)	0.08(1)	0.06(1)	0.02	0.17	0.09
Net realized and unrealized gain/(loss)	(0.58)	1.89	4.03	7.79	3.91	(1.41)
Total from Investment Operations	(0.56)	1.97	4.09	7.81	4.08	(1.32)
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.08)	(0.16)	(0.08)	(0.20)	(0.11)	(0.11)
Distributions (from capital gains)	(1.86)	(6.78)	(2.54)	—	(0.44)	—
Total Dividends and Distributions	(1.94)	(6.94)	(2.62)	(0.20)	(0.55)	(0.11)
Net Asset Value, End of Period	$27.74	$30.24	$35.21	$33.74	$26.13	$22.60
Total Return*	(1.86)%	5.08%	12.73%	29.99%	18.28%	(5.54)%
Net Assets, End of Period (in thousands)	$152,272	$163,148	$162,422	$170,880	$177,638	$179,012
Average Net Assets for the Period (in thousands)	$152,587	$166,602	$163,094	$174,538	$184,029	$216,273
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.89%	0.97%	0.80%	0.79%	0.78%	0.87%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.89%	0.97%	0.80%	0.79%	0.78%	0.87%
Ratio of Net Investment Income/(Loss)	0.14%	0.25%	0.19%	0.41%	0.82%	0.56%
Portfolio Turnover Rate	30%	54%	60%	50%	38%	90%

* Total return not annualized for periods of less than one full year.
** Annualized for periods of less than one full year.
(1) Per share amounts are calculated based on average shares outstanding during the year or period.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Aspen Janus Portfolio (the "Portfolio") is a series fund. The Portfolio is part of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers twelve portfolios which include multiple series of shares, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as diversified, as defined in the 1940 Act.

The Portfolio currently offers two classes of shares: Institutional Shares and Service Shares. Each class represents an interest in the same portfolio of investments. Institutional Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans. Service Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans that require a fee from Portfolio assets to procure distribution and administrative services to contract owners and plan participants.

Shareholders, including other portfolios, participating insurance companies, as well as accounts, may from time to time own (beneficially or of record) a significant percentage of the Portfolio's Shares and can be considered to "control" the Portfolio when that ownership exceeds 25% of the Portfolio's assets (and which may differ from control as determined in accordance with accounting principles generally accepted in the United States of America).

The following accounting policies have been followed by the Portfolio and are in conformity with accounting principles generally accepted in the United States of America.

Investment Valuation

Securities held by the Portfolio are valued in accordance with policies and procedures established by and under the supervision of the Trustees (the "Valuation Procedures"). Equity securities traded on a domestic securities exchange are generally valued at the closing prices on the primary market or exchange on which they trade. If such price is lacking for the trading period immediately preceding the time of determination, such securities are valued at their current bid price. Equity securities that are traded on a foreign exchange are generally valued at the closing prices on such markets. In the event that there is no current trading volume on a particular security in such foreign exchange, the bid price from the primary exchange is generally used to value the security. Securities that are traded on the over-the-counter ("OTC") markets are generally valued at their closing or latest bid prices as available. Foreign securities and currencies are converted to U.S. dollars using the applicable exchange rate in effect at the close of the New York Stock Exchange ("NYSE"). The Portfolio will determine the market value of individual securities held by it by using prices provided by one or more approved professional pricing services or, as needed, by obtaining market quotations from independent broker-dealers. Most debt securities are valued in accordance with the evaluated bid price supplied by the pricing service that is intended to reflect market value. The evaluated bid price supplied by the pricing service is an evaluation that may consider factors such as security prices, yields, maturities and ratings. Certain short-term securities maturing within 60 days or less may be evaluated and valued on an amortized cost basis provided that the amortized cost determined approximates market value. Securities for which market quotations or evaluated prices are not readily available or deemed unreliable are valued at fair value determined in good faith under the Valuation Procedures. Circumstances in which fair value pricing may be utilized include, but are not limited to: (i) a significant event that may affect the securities of a single issuer, such as a merger, bankruptcy, or significant issuer-specific development; (ii) an event that may affect an entire market, such as a natural disaster or significant governmental action; (iii) a nonsignificant event such as a market closing early or not opening, or a security trading halt; and (iv) pricing of a nonvalued security and a restricted or nonpublic security. Special valuation considerations may apply with respect to "odd-lot" fixed-income transactions which, due to their small size, may receive evaluated prices by pricing services which reflect a large block trade and not what actually could be obtained for the odd-lot position. The Portfolio uses systematic fair valuation models provided by independent third parties to value international equity securities in order to adjust for stale pricing, which may occur between the close of certain foreign exchanges and the close of the NYSE.

Valuation Inputs Summary

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that

market participants would use in pricing an asset or liability and establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. These inputs are summarized into three broad levels:

Level 1 – Unadjusted quoted prices in active markets the Portfolio has the ability to access for identical assets or liabilities.

Level 2 – Observable inputs other than unadjusted quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Assets or liabilities categorized as Level 2 in the hierarchy generally include: debt securities fair valued in accordance with the evaluated bid or ask prices supplied by a pricing service; securities traded on OTC markets and listed securities for which no sales are reported that are fair valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers transacting in a market for such securities or by a pricing service approved by the Portfolio's Trustees; certain short-term debt securities with maturities of 60 days or less that are fair valued at amortized cost; and equity securities of foreign issuers whose fair value is determined by using systematic fair valuation models provided by independent third parties in order to adjust for stale pricing which may occur between the close of certain foreign exchanges and the close of the NYSE. Other securities that may be categorized as Level 2 in the hierarchy include, but are not limited to, preferred stocks, bank loans, swaps, investments in unregistered investment companies, options, and forward contracts.

Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Portfolio's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Portfolio since the beginning of the fiscal year.

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2016 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

The Portfolio did not hold a significant amount of Level 3 securities as of June 30, 2016.

The Portfolio recognizes transfers between the levels as of the beginning of the fiscal year. The following describes the amounts of transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period.

Financial assets of $2,377,202 were transferred out of Level 1 to Level 2 since certain foreign equity prices were applied a fair valuation adjustment factor at the end of the prior fiscal year and no factor was applied at the end of the current period.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Portfolio is informed of the dividend, if such information is obtained subsequent to the ex-dividend date. Dividends from foreign securities may be subject to withholding taxes in foreign jurisdictions. Interest income is recorded on the accrual basis and includes amortization of premiums and accretion of discounts. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income, as well as gains and losses, both realized and unrealized, are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Expenses

The Portfolio bears expenses incurred specifically on its behalf. Each class of shares bears a portion of general expenses, which are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Estimates

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

Indemnifications

In the normal course of business, the Portfolio may enter into contracts that contain provisions for indemnification of other parties against certain potential liabilities. The Portfolio's maximum exposure under these arrangements is unknown, and would involve future claims that may be made against the Portfolio that have not yet occurred. Currently, the risk of material loss from such claims is considered remote.

Foreign Currency Translations

The Portfolio does not isolate that portion of the results of operations resulting from the effect of changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at the date of the financial statements. Net unrealized appreciation or depreciation of investments and foreign currency translations arise from changes in the value of assets and liabilities, including investments in securities held at the date of the financial statements, resulting from changes in the exchange rates and changes in market prices of securities held.

Currency gains and losses are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to foreign security transactions and income translations.

Foreign currency-denominated assets and forward currency contracts may involve more risks than domestic transactions, including currency risk, counterparty risk, political and economic risk, regulatory risk and equity risk. Risks may arise from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

Dividends and Distributions

The Portfolio may make semiannual distributions of substantially all of its investment income and an annual distribution of its net realized capital gains (if any).

The Portfolio may make certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon funds available from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. If the Portfolio distributes such amounts, such distributions could constitute a return of capital to shareholders for federal income tax purposes.

Federal Income Taxes

The Portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income in accordance with the requirements of Subchapter M of the Internal Revenue Code. Management has analyzed the Portfolio's tax positions taken for all open federal income tax years, generally a three-year period, and has concluded that no provision for federal income tax is required in the Portfolio's financial statements. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

2. Derivative Instruments

The Portfolio may invest in various types of derivatives, which may at times result in significant derivative exposure. A derivative is a financial instrument whose performance is derived from the performance of another asset. The Portfolio may invest in derivative instruments including, but not limited to: futures contracts, put options, call options, options on future contracts, options on foreign currencies, options on recovery locks, options on security and commodity indices, swaps, forward contracts, structured investments, and other equity-linked derivatives. Each derivative instrument that was held by the Portfolio during the period ended June 30, 2016 is discussed in further detail below. A summary of derivative activity by the Portfolio is reflected in the tables at the end of this section.

The Portfolio may use derivative instruments for hedging purposes (to offset risks associated with an investment, currency exposure, or market conditions), to adjust currency exposure relative to a benchmark index, or for speculative purposes (to earn income and seek to enhance returns). When the Portfolio invests in a derivative for speculative purposes, the Portfolio will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the derivative's cost. The Portfolio may not use any derivative to gain exposure to an asset or class of assets that it would be prohibited by its investment restrictions from purchasing directly. The Portfolio's ability to use derivative instruments may also be limited by tax considerations.

Investments in derivatives in general are subject to market risks that may cause their prices to fluctuate over time. Investments in derivatives may not directly correlate with the price movements of the underlying instrument. As a result, the use of derivatives may expose the Portfolio to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. The use of derivatives may result in larger losses or smaller gains than otherwise would be the case. Derivatives can be volatile and may involve significant risks.

In pursuit of its investment objective, the Portfolio may seek to use derivatives to increase or decrease exposure to the following market risk factors:

- **Commodity Risk** – the risk related to the change in value of commodities or commodity-linked investments due to changes in the overall market movements, volatility of the underlying benchmark, changes in interest rates, or other factors affecting a particular industry of commodity such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.
- **Counterparty Risk** – the risk that the counterparty (the party on the other side of the transaction) on a derivative transaction will be unable to honor its financial obligation to the Portfolio.
- **Credit Risk** – the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations.
- **Currency Risk** – the risk that changes in the exchange rate between currencies will adversely affect the value (in U.S. dollar terms) of an investment.
- **Equity Risk** – the risk related to the change in value of equity securities as they relate to increases or decreases in the general market.
- **Index Risk** – if the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index. If the index changes, the Portfolio could receive lower interest payments or experience a reduction in the value of the derivative to below what the Portfolio paid. Certain indexed securities, including inverse securities (which move in an opposite direction to the index), may create leverage, to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.
- **Interest Rate Risk** – the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause the Portfolio's NAV to likewise decrease.
- **Leverage Risk** – the risk associated with certain types of leveraged investments or trading strategies pursuant to which relatively small market movements may result in large changes in the value of an investment. The Portfolio creates leverage by investing in instruments, including derivatives, where the investment loss can exceed the original amount invested. Certain investments or trading strategies, such as short sales, that involve leverage can result in losses that greatly exceed the amount originally invested.
- **Liquidity Risk** – the risk that certain securities may be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth.

Derivatives may generally be traded OTC or on an exchange. Derivatives traded OTC are agreements that are individually negotiated between parties and can be tailored to meet a purchaser's needs. OTC derivatives are not guaranteed by a clearing agency and may be subject to increased credit risk.

In an effort to mitigate credit risk associated with derivatives traded OTC, the Portfolio may enter into collateral agreements with certain counterparties whereby, subject to certain minimum exposure requirements, the Portfolio may require the counterparty to post collateral if the Portfolio has a net aggregate unrealized gain on all OTC derivative contracts with a particular counterparty. There is no guarantee that counterparty exposure is reduced and these arrangements are dependent on Janus Capital's ability to establish and maintain appropriate systems and trading.

Options Contracts

An options contract provides the purchaser with the right, but not the obligation, to buy (call option) or sell (put option) a financial instrument at an agreed upon price on or before a specified date. The purchaser pays a premium to the seller for this right. The seller has the corresponding obligation to sell or buy a financial instrument if the purchaser (owner) "exercises" the option. When an option is exercised, the proceeds on sales for a written call option, the purchase cost for a written put option, or the cost of the security for a purchased put or call option are adjusted by the amount of premium received or paid. Upon expiration, or closing of the option transaction, a realized gain or loss is reported on the Statement of Operations (if applicable). The difference between the premium paid/received and the market value of the option is recorded as unrealized appreciation or depreciation. The net change in unrealized appreciation or depreciation is reported on the Statement of Operations (if applicable). Option contracts are typically valued using an approved vendor's option valuation model. To the extent reliable market quotations are available, option contracts are valued using market quotations. In cases when an approved vendor cannot provide coverage for an option and there is no reliable market quotation, a broker quotation or an internal valuation using the Black-Scholes model, the Cox-Rubenstein Binomial Option Pricing Model, or other appropriate option pricing model is used. Certain options contracts are marked-to-market daily, and the daily variation margin is recorded as a receivable or payable on the Statement of Assets and Liabilities as "Variation margin receivable" or "Variation margin payable" (if applicable).

The Portfolio may use options contracts to hedge against changes in interest rates, the values of equities, or foreign currencies. The Portfolio generally invests in options to hedge against adverse movements in the value of portfolio holdings. The use of such instruments may involve certain additional risks as a result of unanticipated movements in the market. A lack of correlation between the value of an instrument underlying an option and the asset being hedged, or unexpected adverse price movements, could render the Portfolio's hedging strategy unsuccessful. In addition, there can be no assurance that a liquid secondary market will exist for any option purchased or sold. The Portfolio may be subject to counterparty risk, interest rate risk, liquidity risk, equity risk, commodity risk, and currency risk in the normal course of pursuing its investment objective through its investments in options contracts.

Options traded on an exchange are regulated and the terms of the options are standardized. Options traded OTC expose the Portfolio to counterparty risk in the event that the counterparty does not perform. This risk is mitigated by having a netting arrangement between the Portfolio and the counterparty and by having the counterparty post collateral to cover the Portfolio's exposure to the counterparty. The Portfolio may purchase put options to hedge against a decline in the value of its portfolio. By using put options in this way, the Portfolio will reduce any profit it might otherwise have realized in the underlying security by the amount of the premium paid for the put option and by transaction costs. The Portfolio may purchase call options to hedge against an increase in the price of securities that it may buy in the future. The premium paid for the call option plus any transaction costs will reduce the benefit, if any, realized by the Portfolio upon exercise of the option, and, unless the price of the underlying security rises sufficiently, the option may expire worthless to the Portfolio. The risk in buying options is that the Portfolio pays a premium whether or not the options are exercised. Options purchased are reported in the Schedule of Investments (if applicable).

During the period, the Portfolio purchased put options on various equity securities and ETFs for the purpose of decreasing exposure to individual equity risk.

During the period ended June 30, 2016, the average ending monthly market value amounts on purchased put options is $66,526. There were no purchased options held at June 30, 2016.

The following table provides information about the effect of derivatives and hedging activities on the Portfolio's Statement of Operations for the period ended June 30, 2016.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2016

Amount of Realized Gain/(Loss) Recognized on Derivatives

Derivative		*Equity Contracts*
Investments and foreign currency transactions	$	(742,076)*

* Amounts relate to purchased options.

Please see the Portfolio's Statement of Operations for the Portfolio's "Net Realized and Unrealized Gain/(Loss) on Investments."

3. Other Investments and Strategies

Additional Investment Risk

The financial crisis in both the U.S. and global economies over the past several years has resulted, and may continue to result, in a significant decline in the value and liquidity of many securities of issuers worldwide in the equity and fixed-income/credit markets. In response to the crisis, the United States and certain foreign governments, along with the U.S. Federal Reserve and certain foreign central banks, took steps to support the financial markets. The withdrawal of this support, a failure of measures put in place to respond to the crisis, or investor perception that such efforts were not sufficient could each negatively affect financial markets generally, and the value and liquidity of specific securities. In addition, policy and legislative changes in the United States and in other countries continue to impact many aspects of financial regulation. The effect of these changes on the markets, and the practical implications for market participants, including the Portfolio, may not be fully known for some time. As a result, it may also be unusually difficult to identify both investment risks and opportunities, which could limit or preclude the Portfolio's ability to achieve its investment objective. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit. As a result, financial markets in the EU experienced extreme volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom voted to exit the EU (known as "Brexit"). One or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

Certain areas of the world have historically been prone to and economically sensitive to environmental events such as, but not limited to, hurricanes, earthquakes, typhoons, flooding, tidal waves, tsunamis, erupting volcanoes, wildfires or droughts, tornadoes, mudslides, or other weather-related phenomena. Such disasters, and the resulting physical or economic damage, could have a severe and negative impact on the Portfolio's investment portfolio and, in the longer term, could impair the ability of issuers in which the Portfolio invests to conduct their businesses as they would under normal conditions. Adverse weather conditions may also have a particularly significant negative effect on issuers in the agricultural sector and on insurance companies that insure against the impact of natural disasters.

Counterparties

Portfolio transactions involving a counterparty are subject to the risk that the counterparty or a third party will not fulfill its obligation to the Portfolio ("counterparty risk"). Counterparty risk may arise because of the counterparty's financial condition (i.e., financial difficulties, bankruptcy, or insolvency), market activities and developments, or other reasons, whether foreseen or not. A counterparty's inability to fulfill its obligation may result in significant financial loss to the Portfolio. The Portfolio may be unable to recover its investment from the counterparty or may obtain a limited recovery, and/or recovery may be delayed. The extent of the Portfolio's exposure to counterparty risk with respect to financial assets and liabilities approximates its carrying value. See the "Offsetting Assets and Liabilities" section of this Note for further details.

The Portfolio may be exposed to counterparty risk through participation in various programs, including, but not limited to, lending its securities to third parties, cash sweep arrangements whereby the Portfolio's cash balance is invested in one or more types of cash management vehicles, as well as investments in, but not limited to, repurchase agreements, debt securities, and derivatives, including various types of swaps, futures and options. The Portfolio intends to enter into financial transactions with counterparties that Janus Capital believes to be creditworthy at the time of the transaction. There is always the risk that Janus Capital's analysis of a counterparty's creditworthiness is incorrect or may change due to market conditions. To the extent that the Portfolio focuses its transactions with a limited number of counterparties, it will have greater exposure to the risks associated with one or more counterparties.

Real Estate Investing
The Portfolio may invest in equity and debt securities of real estate-related companies. Such companies may include those in the real estate industry or real estate-related industries. These securities may include common stocks, corporate bonds, preferred stocks, and other equity securities, including, but not limited to, mortgage-backed securities, real estate-backed securities, securities of REITs and similar REIT-like entities. A REIT is a trust that invests in real estate-related projects, such as properties, mortgage loans, and construction loans. REITs are generally categorized as equity, mortgage, or hybrid REITs. A REIT may be listed on an exchange or traded OTC.

Restricted Security Transactions
Restricted securities held by the Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933, as amended. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of the Portfolio to sell a security at a fair price and may substantially delay the sale of the security. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

4. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio's "base" fee rate prior to any performance adjustment (expressed as an annual rate) is 0.64%.

The investment advisory fee rate is determined by calculating a base fee and applying a performance adjustment. The base fee rate is the same as the contractual investment advisory fee rate. The performance adjustment either increases or decreases the base fee depending on how well the Portfolio has performed relative to its benchmark index. The Portfolio's benchmark index used in the calculation is the Core Growth Index.

The calculation of the performance adjustment applies as follows:

Investment Advisory Fee = Base Fee Rate +/- Performance Adjustment

The investment advisory fee rate paid to Janus Capital by the Portfolio consists of two components: (1) a base fee calculated by applying the contractual fixed rate of the advisory fee to the Portfolio's average daily net assets during the previous month ("Base Fee Rate"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.15% (positive or negative) to the Portfolio's average daily net assets during the applicable performance measurement period, which is generally the previous 36 months.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the period ended June 30, 2016, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.58%.

Janus Services LLC ("Janus Services"), a wholly-owned subsidiary of Janus Capital, is the Portfolio's transfer agent. Effective May 1, 2016, Janus Services receives an administrative services fee at an annual rate of 0.05% of the average daily net assets of the Portfolio for arranging for the provision by participating insurance companies and qualified plan service providers of administrative services, including recordkeeping, subaccounting, order processing, or other shareholder services provided on behalf of contract holders or plan participants investing in the Portfolio. Other shareholder services may include the provision of order confirmations, periodic account statements, forwarding prospectuses, shareholder reports, and other materials to existing investors, and answering inquiries regarding accounts. Janus Services expects to use this entire fee to compensate insurance companies and qualified plan service providers for providing these services to their customers who invest in the Portfolio. Any unused portion will be reimbursed to the applicable share class at least annually.

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services related to the shares, except for out-of-pocket costs. These amounts are disclosed as "Other transfer agent fees and expenses" on the Statement of Operations.

Under a distribution and shareholder servicing plan (the "Plan") adopted in accordance with Rule 12b-1 under the 1940 Act, the Service Shares may pay the Trust's distributor, Janus Distributors LLC ("Janus Distributors"), a wholly-owned subsidiary of Janus Capital, a fee for the sale and distribution and/or shareholder servicing of the Service Shares at an annual rate of up to 0.25% of the average daily net assets of the Service Shares. Under the terms of the Plan, the Trust is authorized to make payments to Janus Distributors for remittance to insurance companies and qualified plan service providers as compensation for distribution and/or shareholder services performed by such entities. These amounts are disclosed as "12b-1 Distribution and shareholder servicing fees" on the Statement of Operations. Payments under the Plan are not tied exclusively to actual 12b-1 distribution and servicing fees, and the payments may exceed 12b-1 distribution and servicing fees actually incurred. If any of the Portfolio's actual 12b-1 distribution and servicing fees incurred during a calendar year are less than the payments made during a calendar year, the Portfolio will be refunded the difference. Refunds, if any, are included in "12b-1 Distribution fees and shareholder servicing fees" in the Statement of Operations.

Janus Capital furnishes certain administration, compliance, and accounting services for the Portfolio and is reimbursed by the Portfolio for certain of its costs in providing those services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). In addition, employees of Janus Capital and/or its affiliates may serve as officers of the Trust. The Portfolio also pays for salaries, fees, and expenses of certain Janus Capital employees and Portfolio officers, with respect to certain specified administration functions they perform on behalf of the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and compliance staff are shared with the Portfolio. Total compensation of $28,304 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2016. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2016 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the period ended June 30, 2016 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $20,150 were paid by the Trust to a Trustee under the Deferred Plan during the period ended June 30, 2016.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or nonaffiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or nonaffiliated money market funds or cash management pooled investment vehicles. The Portfolio is eligible to participate in the cash sweep program (the "Investing Funds"). As adviser, Janus Capital has an inherent conflict of interest because of its fiduciary duties to the affiliated money market funds or cash management pooled investment vehicles and the Investing Funds. Janus Cash Liquidity Fund LLC is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. Janus Cash Liquidity Fund LLC currently maintains a NAV of $1.00 per share and distributes income daily in a manner consistent with a registered product compliant with Rule 2a-7 under the 1940 Act. There are no restrictions on the Portfolio's ability to withdraw investments from Janus Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Cash Liquidity Fund LLC. The units of Janus Cash Liquidity Fund LLC are not charged any management fee, sales charge or service fee.

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the period ended June 30, 2016 can be found in a table located in the Notes to Schedule of Investments and Other Information.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital Management LLC in accordance with Rule 17a-7 under the Investment Company Act of 1940 ("Rule 17a-7"), when the transaction is consistent with the investment objectives and policies of the Portfolio and in accordance with the Internal Cross Trade Procedures adopted by the Trust's Board of Trustees. These procedures have been designed to ensure that any cross-trade of securities by the Portfolio from or to another fund or account that is or could be considered an affiliate of the Portfolio under certain limited circumstances by virtue of having a common investment adviser, common Officer, or common Trustee complies with Rule 17a-7. Under these procedures, each cross-trade is effected at the current market price to save costs where allowed. During the period ended June 30, 2016, the Portfolio engaged in cross trades amounting to $1,803,563 in purchases and $1,639,147 in sales, resulting in a net realized loss of $143,595. The net realized loss is included in "Investments and foreign currency transactions" within the "Net Realized and Unrealized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

5. Federal Income Tax

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses, and capital loss carryovers.

The Portfolio has elected to treat gains and losses on forward foreign currency contracts as capital gains and losses, if applicable. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2016 are noted below.

Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/depreciation on foreign currency translations. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$420,379,094	$99,227,216	$ (15,837,647)	$ 83,389,569

Accumulated capital losses noted below represent net capital loss carryovers, as of December 31, 2015, that may be available to offset future realized capital gains and thereby reduce future taxable gains distributions. Under the Regulated Investment Company Modernization Act of 2010, the Portfolio is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, preenactment capital loss carryforwards may more likely expire unused. Also, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law. The following table shows these capital loss carryovers.

Capital Loss Carryover Schedule

For the year ended December 31, 2015

December 31, 2017	*Accumulated Capital Losses*
$ (46,741,398)	$ (46,741,398)[(1)]

(1) Capital loss carryovers subject to annual limitations, $(23,370,699) should be available in the next fiscal year.

6. Capital Share Transactions

	Period ended June 30, 2016		*Year ended December 31, 2015*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	106,818	$ 3,133,716	605,398	$20,512,266
Reinvested dividends and distributions	814,907	23,110,764	2,365,348	74,906,667
Shares repurchased	(768,012)	(22,662,048)	(2,701,063)	(95,655,469)
Net Increase/(Decrease)	153,713	$ 3,582,432	269,683	$ (236,536)
Service Shares:				
Shares sold	244,575	$ 7,071,872	682,757	$23,169,461
Reinvested dividends and distributions	359,799	9,991,625	1,019,667	31,690,614
Shares repurchased	(510,544)	(14,682,733)	(919,451)	(30,496,831)
Net Increase/(Decrease)	93,830	$ 2,380,764	782,973	$24,363,244

7. Purchases and Sales of Investment Securities

For the period ended June 30, 2016, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, and in-kind transactions) was as follows:

Purchases of Securities	*Proceeds from Sales of Securities*	*Purchases of Long-Term U.S. Government Obligations*	*Proceeds from Sales of Long-Term U.S. Government Obligations*
$ 149,322,249	$ 180,472,128	$ -	$ -

8. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2016 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements, as discussed below.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-0020 (toll free); (ii) on the Portfolio's website at janus.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janus.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Quarterly Portfolio Holdings

The Portfolio files its complete portfolio holdings (schedule of investments) with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days of the end of such fiscal quarter. The Portfolio's Form N-Q: (i) is available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) is available without charge, upon request, by calling Janus at 1-800-525-0020 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

In connection with their most recent consideration of those agreements for each Fund, the Trustees received and reviewed information provided by Janus Capital and the respective subadvisers in response to requests of the Trustees and their independent legal counsel. They also received and reviewed information and analysis provided by, and in response to requests of, their independent fee consultant. Throughout their consideration of the agreements, the Trustees were advised by their independent legal counsel. The Trustees met with management to consider the agreements, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 9, 2015, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from either January 1 or February 1, 2016 through January 1 or February 1, 2017, respectively, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee

for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

The Trustees concluded that the nature, extent and quality of the services provided by Janus Capital or the subadviser to each Fund were appropriate and consistent with the terms of the respective advisory and subadvisory agreements, and that, taking into account steps taken to address those Funds whose performance lagged that of their peers for certain periods, the Funds were likely to benefit from the continued provision of those services. They also concluded that Janus Capital and each subadviser had sufficient personnel, with the appropriate education and experience, to serve the Funds effectively and had demonstrated its ability to attract well-qualified personnel.

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2015, approximately 70% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2015, approximately 61% of the Funds were in the top two Broadridge quartiles of performance.

The Trustees considered the performance of each Fund, noting that performance may vary by share class, and noted the following:

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and its limited performance history.
- For Janus High-Yield Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.

Value Funds

- For Perkins International Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Perkins Global Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Large Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Select Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Perkins Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and INTECH had taken or were taking to improve performance.
- For INTECH U.S. Core Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Contrarian Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Enterprise Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Forty Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Growth and Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and in the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Research Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Triton Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Twenty Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Emerging Markets Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Real Estate Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Select Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus International Equity Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Overseas Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Allocation Portfolio – Moderate, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile-for the 12 months ended May 31, 2015.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.

In consideration of each Fund's performance, the Trustees concluded that, taking into account the factors relevant to performance, as well as other considerations, including steps taken to improve performance, the Fund's performance warranted continuation of the Fund's investment advisory and subadvisory agreement(s).

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers,

was below the mean management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 14% below the mean total expenses of their respective Broadridge Expense Group peers and 24% below the mean total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 15% below the mean management fees for their Expense Groups and 19% below the mean for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the mean total expenses for its Broadridge Expense Group peers and to mean total expenses for its Broadridge Expense Universe.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual fund level, Fund expenses were found to be reasonable relative to both Expense Group and Expense Universe benchmarks. Further, for certain Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to each set of investors in each share class in each selected Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Funds and share classes were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such Funds.

The Trustees considered the methodology used by Janus Capital and each subadviser in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds’ other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional and subadvised accounts; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) the average spread between management fees charged to the Funds and those charged to Janus Capital’s institutional accounts is reasonable relative to the average spreads seen in the industry; and (4) by one estimation methodology, the fee margins implied by Janus Capital’s subadvised fees when compared to its mutual fund fees are reasonable relative to the estimated fee margins in the industry and relative to estimated fee margins of fund managers using Janus Capital as a subadviser.

The Trustees considered the fees for each Fund for its fiscal year ended in 2014, and noted the following with regard to each Fund’s total expenses, net of applicable fee waivers (the Fund’s “total expenses”):

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that, although the Fund’s total expenses exceeded the peer group mean for certain share classes, overall the Fund’s total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund’s expenses, although this limit did not apply because the Fund’s total expenses were already below the applicable fee limit.

- For Janus Global Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus has contractually agreed to limit the Fund's expenses.
- For Janus Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group mean due to the Fund's management fee including other costs, such as custody and transfer agent services, while many funds in the peer group pay these expenses separately from their management fee. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

- For Perkins International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Global Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable.

- For Perkins Large Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Mid Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Perkins Select Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Perkins Value Plus Income Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For INTECH International Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Core Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for one share class. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Forty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

- For Janus Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Triton Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Twenty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Venture Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Select Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus International Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for its sole share class.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

The independent fee consultant found that, while assessing the reasonableness of expenses in light of Janus Capital's profits is dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons are limited in accuracy by differences in complex size, business mix, institutional account orientation, and other factors, after accepting these limitations, the level of profit earned by Janus Capital from managing the Funds is reasonable.

The Trustees concluded that the management fees payable by each Fund to Janus Capital and its affiliates, as well as the fees paid by Janus Capital to the subadvisers of subadvised Funds, were reasonable in relation to the nature, extent, and quality of the services provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies, the fees Janus Capital and the subadvisers charge to other clients, and, as applicable, the impact of fund performance on management fees payable by the Funds. The Trustees also concluded that each Fund's total expenses were reasonable, taking into account the size of the Fund, the quality of services

provided by Janus Capital and any subadviser, the investment performance of the Fund, and any expense limitations agreed to or provided by Janus Capital.

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted that their independent fee consultant provided an analysis of economies of scale, which included discussion of analysis from prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 85% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 80% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale considered in prior years, and their conflicting results, its analyses could not confirm or deny the existence of economies of scale in the Janus complex. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Fund. The Trustees concluded that Janus Capital's and the subadvisers' use of these types of client commission arrangements to obtain proprietary and third-party research products and services was consistent with regulatory requirements and guidelines and was likely to benefit each Fund. The Trustees also concluded that, other than the services provided by Janus Capital and its affiliates and subadvisers pursuant to the agreements and the fees to be paid by each Fund therefor, the Funds and Janus Capital and the subadvisers may potentially benefit from their relationship with each other in other ways. They concluded that Janus Capital and/or the subadvisers benefits from the receipt of research products and services acquired through commissions paid on portfolio transactions of the Funds and that the Funds benefit from Janus Capital's and/or the subadvisers' receipt of those products and services as well as research products and services acquired through commissions paid by other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Fund could attract other business to Janus Capital, the subadvisers or other Janus funds, and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Funds.

Management Commentary

The Management Commentary in this report includes valuable insight as well as statistical information to help you understand how your Portfolio's performance and characteristics stack up against those of comparable indices.

If the Portfolio invests in foreign securities, this report may include information about country exposure. Country exposure is based primarily on the country of risk. A company may be allocated to a country based on other factors such as location of the company's principal office, the location of the principal trading market for the company's securities, or the country where a majority of the company's revenues are derived.

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2016. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus in general.

Performance Overviews

Performance overview graphs compare the performance of a hypothetical $10,000 investment in the Portfolio with one or more widely used market indices. When comparing the performance of the Portfolio with an index, keep in mind that market indices are not available for investment and do not reflect deduction of expenses.

Average annual total returns are quoted for a Portfolio with more than one year of performance history. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period. Average annual total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Cumulative total returns are quoted for a Portfolio with less than one year of performance history. Cumulative total return is the growth or decline in value of an investment over time, independent of the period of time involved. Cumulative total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Pursuant to federal securities rules, expense ratios shown in the performance chart reflect subsidized (if applicable) and unsubsidized ratios. The total annual fund operating expenses ratio is gross of any fee waivers, reflecting the Portfolio's unsubsidized expense ratio. The net annual fund operating expenses ratio (if applicable) includes contractual waivers of Janus Capital and reflects the Portfolio's subsidized expense ratio. Ratios may be higher or lower than those shown in the "Financial Highlights" in this report.

Schedule of Investments

Following the performance overview section is the Portfolio's Schedule of Investments. This schedule reports the types of securities held in the Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. Government obligations, etc.) and by industry classification (banking, communications, insurance, etc.). Holdings are subject to change without notice.

The value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

If the Portfolio invests in foreign securities, it will also provide a summary of investments by country. This summary reports the Portfolio exposure to different countries by providing the percentage of securities invested in each country. The country of each security represents the country of risk. The Portfolio's Schedule of Investments relies upon the industry group and country classifications published by Barclays and/or MSCI Inc.

Tables listing details of individual forward currency contracts, futures, written options, swaptions, and swaps follow the Portfolio's Schedule of Investments (if applicable).

Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolio on the last day of the reporting period.

The Portfolio's assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on securities owned, and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolio's liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid, and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as unrealized gain or loss on forward currency contracts.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolio's net assets. Because the Portfolio must distribute substantially all earnings, you will notice that a significant portion of net assets is shareholder capital.

The last section of this statement reports the net asset value ("NAV") per share on the last day of the reporting period. The NAV is calculated by dividing the Portfolio's net assets for each share class (assets minus liabilities) by the number of shares outstanding.

Statement of Operations

This statement details the Portfolio's income, expenses, realized gains and losses on securities and currency transactions, and changes in unrealized appreciation or depreciation of Portfolio holdings.

The first section in this statement, entitled "Investment Income," reports the dividends earned from securities and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses incurred by the Portfolio, including the advisory fee paid to the investment adviser, transfer agent fees and expenses, and printing and postage for mailing statements, financial reports and prospectuses. Expense offsets and expense reimbursements, if any, are also shown.

The last section lists the amounts of realized gains or losses from investment and foreign currency transactions, and changes in unrealized appreciation or depreciation of investments and foreign currency-denominated assets and liabilities. The Portfolio will realize a gain (or loss) when it sells its position in a particular security. A change in unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolio during the reporting period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

Statements of Changes in Net Assets

These statements report the increase or decrease in the Portfolio's net assets during the reporting period. Changes in the Portfolio's net assets are attributable to investment operations, dividends and distributions to investors, and capital share transactions. This is important to investors because it shows exactly what caused the Portfolio's net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolio's investment operations. The Portfolio's net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends and/or distributions in cash, money is taken out of the Portfolio to pay the dividend and/or distribution. If investors reinvest their dividends and/or distributions, the Portfolio's net assets will not be affected. If you compare the Portfolio's "Net Decrease from Dividends and Distributions" to "Reinvested Dividends and Distributions," you will notice that dividends and distributions have little effect on the Portfolio's net assets. This is because the majority of the Portfolio's investors reinvest their dividends and/or distributions.

The reinvestment of dividends and distributions is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolio through purchases or withdrawals via redemptions. The Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from the Portfolio.

Financial Highlights

This schedule provides a per-share breakdown of the components that affect the Portfolio's NAV for current and past reporting periods as well as total return, asset size, ratios, and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income/(loss) per share. Following is the per share total of net gains/(losses), realized and unrealized. Per share dividends and distributions to investors are then subtracted to arrive at the NAV per share at the end of the

period. The next line reflects the total return for the period. Also included are ratios of expenses and net investment income to average net assets.

The Portfolio's expenses may be reduced through expense offsets and expense reimbursements. The ratios shown reflect expenses before and after any such offsets and reimbursements.

The ratio of net investment income/(loss) summarizes the income earned less expenses, divided by the average net assets of the Portfolio during the reporting period. Do not confuse this ratio with the Portfolio's yield. The net investment income ratio is not a true measure of the Portfolio's yield because it does not take into account the dividends distributed to the Portfolio's investors.

The next figure is the portfolio turnover rate, which measures the buying and selling activity in the Portfolio. Portfolio turnover is affected by market conditions, changes in the asset size of the Portfolio, fluctuating volume of shareholder purchase and redemption orders, the nature of the Portfolio's investments, and the investment style and/or outlook of the portfolio manager(s) and/or investment personnel. A 100% rate implies that an amount equal to the value of the entire portfolio was replaced once during the fiscal year; a 50% rate means that an amount equal to the value of half the portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the entire portfolio is traded every six months.

Janus Aspen Janus Portfolio
Shareholder Meeting (unaudited)

A Special Meeting of Shareholders of the Portfolio was held on June 14, 2016. At the meeting, the following matter was voted on and approved by the Shareholders. Each whole or fractional vote reported represents one whole or fractional dollar of net asset value held on the record date for the meeting. The results of the Special Meeting of Shareholders are noted below.

Proposal
To elect eight Trustees, each of whom is considered "independent."

		Number of Votes ($)		
Trustees	*Record Date Votes ($)*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	7,477,409,597.098	6,576,576,690.332	262,206,698.204	6,838,783,388.536
William D. Cvengros	7,477,409,597.098	6,565,725,463.575	273,057,924.961	6,838,783,388.536
Raudline Etienne	7,477,409,597.098	6,560,661,215.330	278,122,173.206	6,838,783,388.536
William F. McCalpin	7,477,409,597.098	6,572,385,644.563	266,397,743.973	6,838,783,388.536
Gary A. Poliner	7,477,409,597.098	6,576,207,507.849	262,575,880.687	6,838,783,388.536
James T. Rothe	7,477,409,597.098	6,559,365,918.898	279,417,469.638	6,838,783,388.536
William D. Stewart	7,477,409,597.098	6,558,013,404.302	280,769,984.235	6,838,783,388.536
Linda S. Wolf	7,477,409,597.098	6,565,131,501.186	273,651,887.350	6,838,783,388.536

	Votes (%)			Percentage Voted (%)		
Trustees	*Affirmative*	*Withheld*	*Total*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	87.953	3.507	91.459	96.166	3.834	100.000
William D. Cvengros	87.807	3.652	91.459	96.007	3.993	100.000
Raudline Etienne	87.740	3.719	91.459	95.933	4.067	100.000
William F. McCalpin	87.897	3.563	91.459	96.105	3.895	100.000
Gary A. Poliner	87.948	3.512	91.459	96.160	3.840	100.000
James T. Rothe	87.722	3.737	91.459	95.914	4.086	100.000
William D. Stewart	87.704	3.755	91.459	95.894	4.106	100.000
Linda S. Wolf	87.800	3.660	91.459	95.999	4.001	100.000

Janus Aspen Janus Portfolio
Notes

Janus provides access to a wide range of investment disciplines.

Alternative
Janus alternative funds seek to deliver strong risk-adjusted returns over a full market cycle with lower correlation to equity markets than traditional investments.

Asset Allocation
Janus' asset allocation funds utilize our fundamental, bottom-up research to balance risk over the long term. From fund options that meet investors' risk tolerance and objectives to a method that incorporates non-traditional investment choices to seek non-correlated sources of risk and return, Janus' asset allocation funds aim to allocate risk more effectively.

Fixed Income
Janus fixed income funds attempt to provide less risk relative to equities while seeking to deliver a competitive total return through high current income and appreciation. Janus money market funds seek capital preservation and liquidity with current income as a secondary objective.

Global & International
Janus global and international funds seek to leverage Janus' research capabilities by taking advantage of inefficiencies in foreign markets, where accurate information and analytical insight are often at a premium.

Growth & Core
Janus growth funds focus on companies believed to be the leaders in their respective industries, with solid management teams, expanding market share, margins and efficiencies. Janus core funds seek investments in more stable and predictable companies. Our core funds look for a strategic combination of steady growth and, for certain funds, some degree of income.

Mathematical
Our mathematical funds seek to outperform their respective indices while maintaining a risk profile equal to or lower than the index itself. Managed by INTECH® (a Janus subsidiary), these funds use a mathematical process in an attempt to build a more "efficient" portfolio than the index.

Value
Our value funds, managed by Perkins® (a Janus subsidiary), seek to identify companies with favorable reward to risk characteristics by conducting rigorous downside analysis before determining upside potential.

For more information about our funds, contact your investment professional or go to janus.com/variable-insurance.

JANUS®

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus at 877.33JANUS (52687) or download the file from janus.com/variable-insurance. Read it carefully before you invest or send money.

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SEMIANNUAL REPORT
June 30, 2016

Janus Aspen Enterprise Portfolio

Janus Aspen Series

HIGHLIGHTS

- Portfolio management perspective
- Investment strategy behind your portfolio
- Portfolio performance, characteristics and holdings

JANUS®

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Janus Aspen Enterprise Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We believe that investing in companies with sustainable growth and high return on invested capital, can drive consistent returns and allow us to outperform our benchmark and peers over time with moderate risk. We seek to identify mid cap companies with high quality management teams that wisely allocate capital to fund and drive growth over time.

Brian Demain
portfolio manager

PERFORMANCE OVERVIEW

During the six-months ended June 30, 2016, Janus Aspen Enterprise Portfolio's Institutional Shares and Service Shares returned 5.55% and 5.44%, respectively. Meanwhile, the Portfolio's benchmark, the Russell Midcap Growth Index, returned 2.15%.

INVESTMENT ENVIRONMENT

After recovering from a winter correction, U.S. stocks traded narrowly for much of the period. Steady retail sales along with a key manufacturing survey's return to expansion territory helped push markets higher. Stocks were jolted late in the period by the UK electorate's surprise decision to leave the European Union. The market sold off sharply as capital flowed into safe-haven securities. In the final days of the period, however, U.S. shares recaptured much of their post-Brexit slide.

On a sector basis, energy performed well on the back of higher crude oil prices. Defensive sectors also generated positive returns, while cyclical sectors lagged. After having declined sharply on late-period Brexit news, financials recovered lost ground in June's final trading sessions.

PERFORMANCE DISCUSSION

Our Portfolio tends to emphasize companies that we believe have more predictable business models, recurring revenue streams and strong competitive positioning that enables them to take market share and experience sustainable, long-term growth. We believe this focus should help the Portfolio outperform when markets are down and drive relative outperformance over full market cycles.

The Portfolio outperformed its benchmark, the Russell Midcap Growth Index. Heading into the period, we were underweight consumer discretionary due to our cautious view on U.S. retail stocks. Our concerns came to fruition as several major retailers announced weaker than expected earnings. Stocks in consumer staples fared better than cyclical sectors as investors sought safe-havens following the Brexit vote. While our underweight in consumer staples detracted somewhat from returns, many of the stocks we own exhibit the same defensive characteristics as consumer staples companies, but with the potential for better top-line growth.

Our investment in Ritchie Bros. Auctioneers was a strong contributor to the performance of the Portfolio. The company conducts worldwide public auctions of heavy industrial equipment used in construction, transportation and agriculture. A few years ago, Ritchie Bros. brought in a new CEO who has restructured incentives for its sales force. The company has grown in profitability by adding services that have enabled it to expand its commissions on auctioned items. We remain constructive on the stock as we expect the company to continue to grow its gross auction proceeds at a healthy pace. We also like the fact that Ritchie Bros. can generate business in both up and down markets: In up markets, companies need to buy heavy equipment in order to expand; in down markets, companies need to sell equipment that's not being used. For this reason, the company's business cycle is less linked to that of the overall economy.

Crown Castle International Corp. was a top contributor to the Portfolio. The company provides infrastructure for broadcasting and mobile telephony, including wireless cellphone towers. Crown Castle has grown significantly following the explosion in demand from cellphone users for data. During the period, Crown Castle's shares were helped by the company's expansion of small-cell solutions, which will enable it to increase its network capacity.

Boston Scientific was another strong performer for the Portfolio. We are excited about the company's new management, which has led Boston Scientific to its strongest quarter of organic revenue growth in more than a decade, driven largely by sales in the company's cardiovascular and medical surgery product divisions. During the period, Boston Scientific reported stronger than expected earnings, and also received FDA approval of its Watchman heart valve device, which offers an innovative alternative to long-term blood thinner therapy. We remain positive on the stock as we expect continued earnings growth and improving margins over the next several years.

The Portfolio's top detractor was LPL Financial, which provides an integrated platform of brokerage and investment advisory services to independent financial advisors and financial advisors at financial institutions. The stock fell early this year after the company reported weaker than expected earnings. LPL's share price also suffered due to compliance difficulties and fines associated with its out-of-date operational technology systems, as well as from regulatory concerns related to certain parts of its business model. We continue to like the stock as we think increased regulatory oversight of the financial advisory industry plays in the company's favor.

Also detracting from returns was our investment in Sensata Technologies, a producer of sensors and controls used in automotive, appliance, aircraft and industrial manufacturing. Sensata's share price fell in the first quarter due to a slowdown in auto sales. In addition, Sensata had lower than expected earnings, driven by weakness in its sensor and control business, which is closely linked to consumer electronics. We expect moderate growth to continue at Sensata, fueled in part by the long-term trend of increasing sensor content in automobiles and other industrial applications. The company has demonstrated its ability to grow through full market cycles, and we believe it is poised to continue that record. For these reasons, and because of its compelling valuation, we continue to hold our shares.

Our investment in SS&C Technologies Inc. was our third-largest detractor. The company, which is a third party administrator for asset managers, announced weaker than expected organic revenue growth during the period. SS&C has suffered on concerns about the viability of the hedge fund industry, which represents its largest customer segment. Hedge funds have struggled to justify their fees in an environment in which performance has been generally lackluster. Though the problems facing the company's hedge fund clients are significant, we remain confident in SS&C's ability to take market share and acquire smaller players as the segment consolidates and matures.

Please see the Derivative Instruments section in the "Notes to Financial Statements" for a discussion of derivatives used by the Portfolio.

OUTLOOK

Given the rising tide of populism and quickly changing dynamics in the broader business environment, we have become more cautious in our outlook. We will continue to focus on identifying companies with sustainable growth prospects, competitive advantages, good management teams and reasonable valuations. As the business environment has become more challenging, we have increased our focus on companies that balance the needs of their different constituencies. Rather than investing in companies that are being run only for shareholders at the expense of employees and customers, we're seeking sustainable businesses that balance the needs of all three constituencies. These firms are likely to be more stable, and are less likely to face labor disputes, regulatory strife and customer backlashes. Our view is that, in a difficult environment, companies with strong competitive positions that adhere to our valuation discipline should be better able to weather market volatility.

Thank you for your investment in Janus Aspen Enterprise Portfolio.

Janus Aspen Enterprise Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Top Performers - Holdings

	Contribution
Crown Castle International Corp.	0.62%
Ritchie Bros Auctioneers, Inc. (U.S. Shares)	0.62%
Boston Scientific Corp.	0.52%
Teleflex, Inc.	0.48%
Medivation, Inc.	0.46%

5 Bottom Performers - Holdings

	Contribution
LPL Financial Holdings, Inc.	-0.82%
Sensata Technologies Holding NV	-0.74%
SS&C Technologies Holdings, Inc.	-0.30%
athenahealth, Inc.	-0.29%
TD Ameritrade Holding Corp.	-0.25%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Information Technology	1.86%	32.89%	19.17%
Health Care	1.84%	17.59%	13.09%
Consumer Discretionary	1.26%	10.76%	24.61%
Industrials	0.04%	18.44%	16.02%
Telecommunication Services	0.00%	0.00%	0.39%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Consumer Staples	-0.64%	1.03%	8.50%
Materials	-0.32%	1.30%	5.09%
Financials	-0.10%	13.54%	12.17%
Other**	-0.08%	3.45%	0.00%
Energy	-0.02%	1.00%	0.85%

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

* Based on sector classification according to the Global Industry Classification Standard ("GICS") codes, which are the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

** Not a GICS classified sector.

Janus Aspen Enterprise Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Largest Equity Holdings - (% of Net Assets)

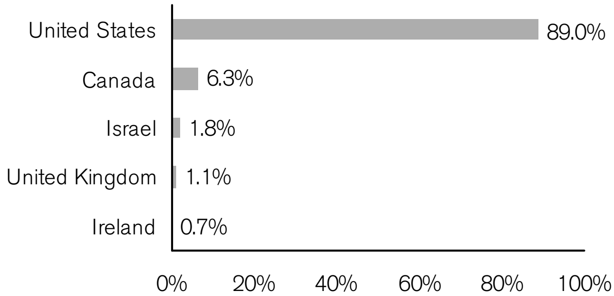
Crown Castle International Corp.	
Real Estate Investment Trusts (REITs)	3.4%
Verisk Analytics, Inc.	
Professional Services	2.6%
Lamar Advertising Co. - Class A	
Real Estate Investment Trusts (REITs)	2.6%
Sensata Technologies Holding NV	
Electrical Equipment	2.3%
Boston Scientific Corp.	
Health Care Equipment & Supplies	2.3%
	13.2%

Asset Allocation - (% of Net Assets)

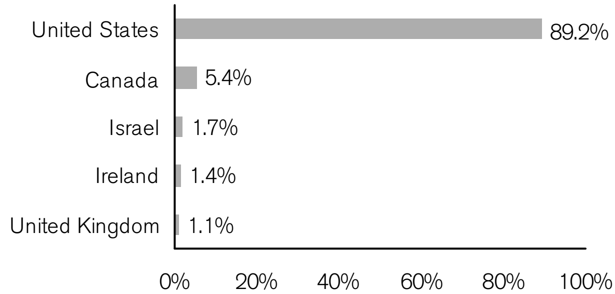
Common Stocks	97.6%
Investment Companies	6.6%
Other	(4.2)%
	100.0%

Top Country Allocations - Long Positions - (% of Investment Securities)

As of June 30, 2016

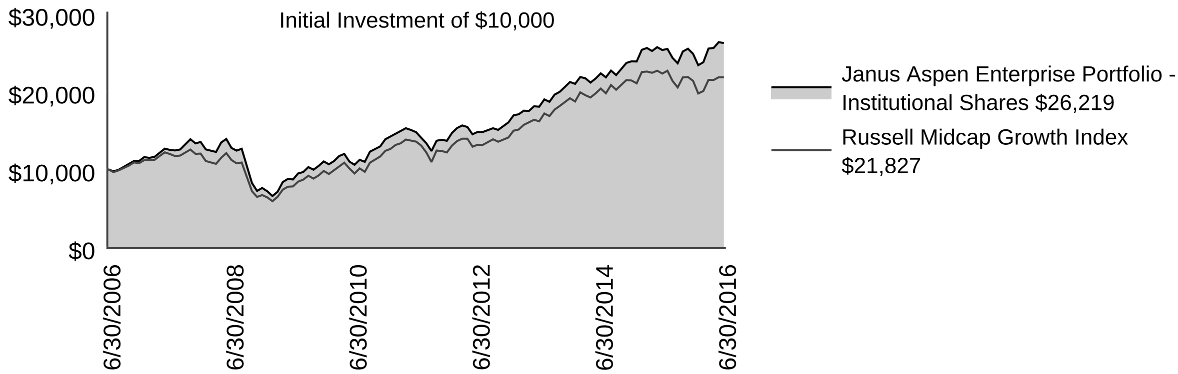


As of December 31, 2015



Janus Aspen Enterprise Portfolio (unaudited)

Performance



Average Annual Total Return - for the periods ended June 30, 2016	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2016 prospectuses: Total Annual Fund Operating Expenses
Institutional Shares	5.55%	3.51%	12.15%	10.12%	10.35%	0.73%
Service Shares	5.44%	3.25%	11.87%	9.84%	10.07%	0.99%
Russell Midcap Growth Index	2.15%	-2.14%	9.98%	8.12%	9.20%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Mid-Cap Growth Funds	-	14/738	26/672	16/616	26/177	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 877.33JANUS(52687) or visit janus.com/variable-insurance.

A Portfolio's performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a Portfolio may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each Portfolio has different risks. Please see a Janus prospectus for more information about risks, portfolio holdings and other details.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Returns shown would have been lower had they included insurance charges.

Returns include reinvestment of all dividends and distributions and do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares. The returns do not include adjustments in accordance with generally accepted accounting principles required at the period end for financial reporting purposes.

See Financial Highlights for actual expense ratios during the reporting period.

Performance for Service Shares prior to December 31, 1999 reflects the performance of Institutional Shares, adjusted to reflect the expenses of Service Shares. Ranking is for the share class shown only; other classes may have different performance characteristics.

There is no assurance that the investment process will consistently lead to successful investing.

See Notes to Schedule of Investments and Other Information for index definitions.

See important disclosures on the next page.

Janus Aspen Enterprise Portfolio (unaudited)
Performance

A Portfolio's holdings may differ significantly from the securities held in an index. An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

See "Useful Information About Your Portfolio Report."

* The Portfolio's inception date – September 13, 1993

Janus Aspen Enterprise Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual 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 example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these columns, 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 appropriate column for your share class under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio'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 Portfolio 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. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as any charges at the separate account level or contract level. These fees are fully described in the Portfolio's prospectuses. Therefore, the hypothetical examples are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Net Annualized Expense Ratio (1/1/16 - 6/30/16)
Institutional Shares	$1,000.00	$1,055.50	$3.58	$1,000.00	$1,021.38	$3.52	0.70%
Service Shares	$1,000.00	$1,054.40	$4.85	$1,000.00	$1,020.14	$4.77	0.95%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). Expenses in the examples include the effect of applicable fee waivers and/or expense reimbursements, if any. Had such waivers and/or reimbursements not been in effect, your expenses would have been higher. Please refer to the Notes to Financial Statements or the Portfolio's prospectuses for more information regarding waivers and/or reimbursements.

Janus Aspen Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – 97.6%		
Aerospace & Defense – 2.5%		
HEICO Corp. - Class A	118,804	$6,373,835
Teledyne Technologies, Inc.*	96,017	9,510,484
TransDigm Group, Inc.*	18,377	4,845,831
		20,730,150
Air Freight & Logistics – 1.3%		
Expeditors International of Washington, Inc.#	211,399	10,367,007
Airlines – 0.7%		
Ryanair Holdings PLC (ADR)	82,664	5,748,455
Biotechnology – 3.4%		
AbbVie, Inc.	87,753	5,432,788
Celgene Corp.*	116,212	11,461,990
Medivation, Inc.*	178,452	10,760,656
		27,655,434
Building Products – 1.5%		
Allegion PLC	72,020	5,000,349
AO Smith Corp	79,318	6,988,709
		11,989,058
Capital Markets – 2.3%		
LPL Financial Holdings, Inc.#	308,488	6,950,235
TD Ameritrade Holding Corp.	422,862	12,040,995
		18,991,230
Chemicals – 0.5%		
Potash Corp. of Saskatchewan, Inc. (U.S. Shares)	260,998	4,238,607
Commercial Services & Supplies – 2.6%		
Edenred	273,518	5,642,722
Ritchie Bros Auctioneers, Inc. (U.S. Shares)	466,640	15,763,099
		21,405,821
Containers & Packaging – 1.1%		
Sealed Air Corp.	197,621	9,084,637
Diversified Consumer Services – 1.4%		
ServiceMaster Global Holdings, Inc.*	289,825	11,535,035
Diversified Financial Services – 3.3%		
FactSet Research Systems, Inc.	30,202	4,875,207
Markit, Ltd.*	278,166	9,068,212
MSCI, Inc.	172,420	13,297,030
		27,240,449
Electrical Equipment – 3.0%		
AMETEK, Inc.	110,692	5,117,291
Sensata Technologies Holding NV*	547,628	19,106,741
		24,224,032
Electronic Equipment, Instruments & Components – 5.7%		
Amphenol Corp. - Class A	148,909	8,536,953
Belden, Inc.	125,899	7,600,523
Flextronics International, Ltd.*	838,568	9,895,102
National Instruments Corp.	322,692	8,841,761
TE Connectivity, Ltd. (U.S. Shares)	201,492	11,507,208
		46,381,547
Food Products – 1.0%		
Mead Johnson Nutrition Co.	93,631	8,497,013
Health Care Equipment & Supplies – 7.9%		
Boston Scientific Corp.*	806,024	18,836,781
DexCom, Inc.*	49,945	3,962,137
Masimo Corp.*	74,230	3,898,188
STERIS PLC	110,403	7,590,206
Teleflex, Inc.	77,756	13,786,916
Varian Medical Systems, Inc.*	199,197	16,379,969
		64,454,197
Health Care Providers & Services – 1.7%		
Henry Schein, Inc.*	80,192	14,177,946

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Health Care Technology – 2.5%		
athenahealth, Inc.*	106,825	$14,742,918
IMS Health Holdings, Inc.*	217,254	5,509,561
		20,252,479
Hotels, Restaurants & Leisure – 2.1%		
Aramark	129,932	4,342,327
Dunkin' Brands Group, Inc.	285,274	12,443,652
		16,785,979
Industrial Conglomerates – 0.8%		
Roper Industries, Inc.	39,652	6,763,045
Information Technology Services – 9.4%		
Amdocs, Ltd. (U.S. Shares)	284,522	16,422,610
Broadridge Financial Solutions, Inc.	189,785	12,373,982
Fidelity National Information Services, Inc.	113,717	8,378,669
Gartner, Inc.*	67,601	6,585,013
Global Payments, Inc.	114,208	8,152,167
Jack Henry & Associates, Inc.	150,093	13,098,616
WEX, Inc.*	138,445	12,275,918
		77,286,975
Insurance – 1.8%		
Aon PLC	136,556	14,916,012
Internet Software & Services – 2.6%		
Cimpress NV*,#	108,029	9,990,522
CoStar Group, Inc.*	51,156	11,185,771
		21,176,293
Leisure Products – 0.6%		
Polaris Industries, Inc.#	55,531	4,540,215
Life Sciences Tools & Services – 3.8%		
Mettler-Toledo International, Inc.*	9,976	3,640,442
PerkinElmer, Inc.	253,395	13,282,966
Quintiles Transnational Holdings, Inc.*	58,720	3,835,590
Waters Corp.*	72,278	10,165,901
		30,924,899
Machinery – 2.1%		
Middleby Corp.*	44,214	5,095,663
Rexnord Corp.*	441,773	8,672,004
Wabtec Corp.	52,505	3,687,426
		17,455,093
Media – 1.3%		
Omnicom Group, Inc.	135,557	11,046,540
Multiline Retail – 1.2%		
Dollar General Corp.	51,422	4,833,668
Dollar Tree, Inc.*	52,286	4,927,433
		9,761,101
Oil, Gas & Consumable Fuels – 1.0%		
World Fuel Services Corp.	169,350	8,042,431
Professional Services – 2.6%		
Verisk Analytics, Inc.*,†	266,237	21,586,496
Real Estate Investment Trusts (REITs) – 6.0%		
Crown Castle International Corp.	274,639	27,856,634
Lamar Advertising Co. - Class A	324,406	21,508,118
		49,364,752
Road & Rail – 0.8%		
Canadian Pacific Railway, Ltd. (U.S. Shares)	49,264	6,344,711
Semiconductor & Semiconductor Equipment – 5.7%		
KLA-Tencor Corp.	141,765	10,384,286
Lam Research Corp.#	94,312	7,927,867
Microchip Technology, Inc.#	155,482	7,892,266
ON Semiconductor Corp.*	865,251	7,631,514

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Semiconductor & Semiconductor Equipment – (continued)		
Xilinx, Inc.	271,663	$12,531,814
		46,367,747
Software – 8.6%		
Atlassian Corp. PLC - Class A*	154,802	4,009,372
Cadence Design Systems, Inc.*	619,428	15,052,100
Constellation Software, Inc.	33,428	12,938,794
Intuit, Inc.	103,448	11,545,831
NICE Systems, Ltd. (ADR)	246,748	15,754,860
SS&C Technologies Holdings, Inc.	396,524	11,134,394
		70,435,351
Specialty Retail – 0.9%		
Monro Muffler Brake, Inc.	34,537	2,195,172
Williams-Sonoma, Inc.	94,638	4,933,479
		7,128,651
Textiles, Apparel & Luxury Goods – 3.4%		
Carter's, Inc.	63,868	6,800,026
Gildan Activewear, Inc.	488,081	14,315,416
Wolverine World Wide, Inc.	319,816	6,498,661
		27,614,103
Trading Companies & Distributors – 0.5%		
Fastenal Co.[#]	92,138	4,090,006
Total Common Stocks (cost $536,716,759)		798,603,497
Investment Companies – 6.6%		
Investments Purchased with Cash Collateral from Securities Lending – 4.2%		
Janus Cash Collateral Fund LLC, 0.4719%[°°,£]	34,245,394	34,245,394
Money Markets – 2.4%		
Janus Cash Liquidity Fund LLC, 0.4506%[°°,£]	19,643,099	19,643,099
Total Investment Companies (cost $53,888,493)		53,888,493
Total Investments (total cost $590,605,252) – 104.2%		852,491,990
Liabilities, net of Cash, Receivables and Other Assets – (4.2)%		(34,594,817)
Net Assets – 100%		$817,897,173

Summary of Investments by Country - (Long Positions) (unaudited)

Country	*Value*	*% of Investment Securities*
United States	$758,667,742	89.0 %
Canada	53,600,627	6.3
Israel	15,754,860	1.8
United Kingdom	9,068,212	1.1
Ireland	5,748,455	0.7
France	5,642,722	0.6
Australia	4,009,372	0.5
Total	$852,491,990	100.0 %

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2016

Schedule of Foreign Currency Contracts, Open

Counterparty/ Currency	*Settlement Date*	*Currency Units Sold*		*Currency Value*		*Unrealized Appreciation/ (Depreciation)*
Bank of America:						
Euro	7/28/16	1,465,000	$	1,627,095	$	15,994
Citibank NA:						
Canadian Dollar	7/13/16	1,789,000		1,384,951		(6,680)
Euro	7/13/16	397,000		440,654		7,560
				1,825,605		880
Credit Suisse International:						
Euro	7/21/16	422,300		468,890		9,804
HSBC Securities (USA), Inc.:						
Canadian Dollar	7/13/16	266,000		205,923		2,609
Canadian Dollar	7/13/16	2,545,000		1,970,206		(9,812)
Euro	7/13/16	1,029,000		1,142,149		10,049
				3,318,278		2,846
JPMorgan Chase & Co.:						
Euro	7/28/16	2,404,000		2,669,990		37,191
RBC Capital Markets Corp.:						
Canadian Dollar	7/21/16	3,062,000		2,370,560		33,616
Euro	7/21/16	3,604,000		4,001,611		79,208
				6,372,171		112,824
Total			$	16,282,029	$	179,539

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

Russell Midcap® Growth Index	Measures the performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.
ADR	American Depositary Receipt
LLC	Limited Liability Company
PLC	Public Limited Company
U.S. Shares	Securities of foreign companies trading on an American stock exchange.

* Non-income producing security.

† A portion of this security has been segregated to cover margin or segregation requirements on open futures contracts, forward currency contracts, options contracts, short sales, swap agreements, and/or securities with extended settlement dates, the value of which, as of June 30, 2016, is $19,459,200.

ºº Rate shown is the 7-day yield as of June 30, 2016.

Loaned security; a portion of the security is on loan at June 30, 2016.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the period ended June 30, 2016. Unless otherwise indicated, all information in the table is for the period ended June 30, 2016.

	Share Balance at 12/31/15	*Purchases*	*Sales*	*Share Balance at 6/30/16*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/16*
Janus Cash Collateral Fund LLC	43,430,390	114,865,293	(124,050,289)	34,245,394	$—	$250,685(1)	$34,245,394
Janus Cash Liquidity Fund LLC	30,205,955	72,747,144	(83,310,000)	19,643,099	—	50,710	19,643,099
Total					$—	$301,395	$53,888,493

(1) Net of income paid to the securities lending agent and rebates paid to the borrowing counterparties.

Janus Aspen Enterprise Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of June 30, 2016. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quoted Prices	*Level 2 - Other Significant Observable Inputs*	*Level 3 - Significant Unobservable Inputs*
Assets			
Investments in Securities:			
Common Stocks			
Commercial Services & Supplies	$ 15,763,099	$ 5,642,722	$-
All Other	777,197,676	-	-
Investment Companies	-	53,888,493	-
Total Investments in Securities	$792,960,775	$59,531,215	$-
Other Financial Instruments[(a)]:			
Forward Currency Contracts	$ -	$ 196,031	$-
Total Assets	$792,960,775	$59,727,246	$-
Liabilities			
Other Financial Instruments[(a)]:			
Forward Currency Contracts	$ -	$ 16,492	$-

(a) Other financial instruments include forward currency, futures, written options, and swap contracts. Forward currency contracts are reported at their unrealized appreciation/(depreciation) at measurement date, which represents the change in the contract's value from trade date. Futures are reported at their variation margin at measurement date, which represents the amount due to/from the Portfolio at that date. Options and swap contracts are reported at their market value at measurement date.

Janus Aspen Enterprise Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2016

Assets:		
Investments, at cost	$	590,605,252
Unaffiliated investments, at value[(1)]		798,603,497
Affiliated investments, at value		53,888,493
Cash		424
Forward currency contracts		196,031
Closed foreign currency contracts		26,359
Non-interested Trustees' deferred compensation		14,805
Receivables:		
Investments sold		1,183,959
Dividends		343,074
Portfolio shares sold		327,432
Foreign tax reclaims		7,163
Dividends from affiliates		6,253
Other assets		1,621
Total Assets		854,599,111
Liabilities:		
Foreign cash due to custodian		8
Collateral for securities loaned (Note 3)		34,245,394
Forward currency contracts		16,492
Closed foreign currency contracts		18,629
Payables:		
Portfolio shares repurchased		950,530
Investments purchased		778,173
Advisory fees		428,938
12b-1 Distribution and shareholder servicing fees		77,162
Transfer agent fees and expenses		34,040
Professional fees		16,870
Non-interested Trustees' deferred compensation fees		14,805
Portfolio administration fees		6,367
Non-interested Trustees' fees and expenses		5,022
Custodian fees		299
Accrued expenses and other payables		109,209
Total Liabilities		36,701,938
Net Assets	$	817,897,173
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	527,398,997
Undistributed net investment income/(loss)		1,690,161
Undistributed net realized gain/(loss) from investments and foreign currency transactions		26,739,857
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		262,068,158
Total Net Assets	$	817,897,173
Net Assets - Institutional Shares	$	439,739,563
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		7,892,097
Net Asset Value Per Share	$	55.72
Net Assets - Service Shares	$	378,157,610
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		7,149,552
Net Asset Value Per Share	$	52.89

(1) Includes $33,488,209 of securities on loan. See Note 3 in Notes to Financial Statements.

See Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2016

Investment Income:		
Dividends	$	4,473,767
Affiliated securities lending income, net		250,685
Dividends from affiliates		50,710
Other income		13
Foreign tax withheld		(123,823)
Total Investment Income		4,651,352
Expenses:		
Advisory fees		2,375,790
12b-1Distribution and shareholder servicing fees:		
Service Shares		420,371
Transfer agent administrative fees and expenses:		
Institutional Shares		36,370
Service Shares		30,972
Other transfer agent fees and expenses:		
Institutional Shares		1,868
Service Shares		1,119
Portfolio administration fees		31,417
Shareholder reports expense		25,245
Professional fees		22,377
Non-interested Trustees' fees and expenses		11,330
Custodian fees		9,494
Registration fees		9,012
Other expenses		108,529
Total Expenses		3,083,894
Net Investment Income/(Loss)		1,567,458
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		27,123,587
Total Net Realized Gain/(Loss) on Investments		27,123,587
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		14,896,354
Total Change in Unrealized Net Appreciation/Depreciation		14,896,354
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	43,587,399

See Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Statements of Changes in Net Assets

		Period ended June 30, 2016 (unaudited)		Year ended December 31, 2015
Operations:				
Net investment income/(loss)	$	1,567,458	$	2,442,446
Net realized gain/(loss) on investments		27,123,587		66,010,415
Change in unrealized net appreciation/depreciation		14,896,354		(41,750,997)
Net Increase/(Decrease) in Net Assets Resulting from Operations		43,587,399		26,701,864
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(300,612)		(2,737,465)
Service Shares		—		(1,623,824)
Total Dividends from Net Investment Income		(300,612)		(4,361,289)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(34,561,214)		(44,791,680)
Service Shares		(31,048,820)		(32,958,607)
Total Distributions from Net Realized Gain from Investment Transactions		(65,610,034)		(77,750,287)
Net Decrease from Dividends and Distributions to Shareholders		(65,910,646)		(82,111,576)
Capital Share Transactions:				
Institutional Shares		33,247,913		31,033,269
Service Shares		67,332,317		67,881,071
Net Increase/(Decrease) from Capital Share Transactions		100,580,230		98,914,340
Net Increase/(Decrease) in Net Assets		78,256,983		43,504,628
Net Assets:				
Beginning of period		739,640,190		696,135,562
End of period	$	817,897,173	$	739,640,190
Undistributed Net Investment Income/(Loss)	$	1,690,161	$	423,315

See Notes to Financial Statements.

Janus Aspen Enterprise Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$57.33	$61.75	$58.96	$44.77	$38.17	$38.72
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.15(1)	0.27(1)	0.27(1)	0.22	0.30	0.10
Net realized and unrealized gain/(loss)	3.03	2.55	6.79	14.23	6.30	(0.65)
Total from Investment Operations	3.18	2.82	7.06	14.45	6.60	(0.55)
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.04)	(0.40)	(0.10)	(0.26)	—	—
Distributions (from capital gains)	(4.75)	(6.84)	(4.17)	—	—	—
Total Dividends and Distributions	(4.79)	(7.24)	(4.27)	(0.26)	—	—
Net Asset Value, End of Period	$55.72	$57.33	$61.75	$58.96	$44.77	$38.17
Total Return*	5.55%	4.05%	12.50%	32.38%	17.29%	(1.42)%
Net Assets, End of Period (in thousands)	$439,740	$418,158	$417,895	$407,049	$341,699	$333,094
Average Net Assets for the Period (in thousands)	$415,354	$427,941	$402,634	$373,893	$344,014	$367,307
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.70%	0.68%	0.68%	0.69%	0.69%	0.68%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.70%	0.68%	0.68%	0.69%	0.69%	0.68%
Ratio of Net Investment Income/(Loss)	0.54%	0.44%	0.45%	0.28%	0.52%	(0.17)%
Portfolio Turnover Rate	9%	22%	16%	15%	15%	15%

Service Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$54.67	$59.26	$56.80	$43.18	$36.91	$37.53
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.07(1)	0.11(1)	0.12(1)	(0.03)	0.09	(0.17)
Net realized and unrealized gain/(loss)	2.90	2.45	6.53	13.83	6.18	(0.45)
Total from Investment Operations	2.97	2.56	6.65	13.80	6.27	(0.62)
Less Dividends and Distributions:						
Dividends (from net investment income)	—	(0.31)	(0.02)	(0.18)	—	—
Distributions (from capital gains)	(4.75)	(6.84)	(4.17)	—	—	—
Total Dividends and Distributions	(4.75)	(7.15)	(4.19)	(0.18)	—	—
Net Asset Value, End of Period	$52.89	$54.67	$59.26	$56.80	$43.18	$36.91
Total Return*	5.44%	3.77%	12.24%	32.04%	16.99%	(1.65)%
Net Assets, End of Period (in thousands)	$378,158	$321,482	$278,240	$260,670	$212,971	$190,788
Average Net Assets for the Period (in thousands)	$343,490	$299,393	$262,698	$234,925	$206,153	$223,285
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.95%	0.94%	0.93%	0.94%	0.94%	0.93%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.95%	0.94%	0.93%	0.94%	0.94%	0.93%
Ratio of Net Investment Income/(Loss)	0.26%	0.19%	0.20%	0.03%	0.28%	(0.41)%
Portfolio Turnover Rate	9%	22%	16%	15%	15%	15%

* Total return not annualized for periods of less than one full year.

** Annualized for periods of less than one full year.

(1) Per share amounts are calculated based on average shares outstanding during the year or period.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Aspen Enterprise Portfolio (the "Portfolio") is a series fund. The Portfolio is part of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers twelve portfolios which include multiple series of shares, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as diversified, as defined in the 1940 Act.

The Portfolio currently offers two classes of shares: Institutional Shares and Service Shares. Each class represents an interest in the same portfolio of investments. Institutional Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans. Service Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans that require a fee from Portfolio assets to procure distribution and administrative services to contract owners and plan participants.

Shareholders, including other portfolios, participating insurance companies, as well as accounts, may from time to time own (beneficially or of record) a significant percentage of the Portfolio's Shares and can be considered to "control" the Portfolio when that ownership exceeds 25% of the Portfolio's assets (and which may differ from control as determined in accordance with accounting principles generally accepted in the United States of America).

The following accounting policies have been followed by the Portfolio and are in conformity with accounting principles generally accepted in the United States of America.

Investment Valuation

Securities held by the Portfolio are valued in accordance with policies and procedures established by and under the supervision of the Trustees (the "Valuation Procedures"). Equity securities traded on a domestic securities exchange are generally valued at the closing prices on the primary market or exchange on which they trade. If such price is lacking for the trading period immediately preceding the time of determination, such securities are valued at their current bid price. Equity securities that are traded on a foreign exchange are generally valued at the closing prices on such markets. In the event that there is no current trading volume on a particular security in such foreign exchange, the bid price from the primary exchange is generally used to value the security. Securities that are traded on the over-the-counter ("OTC") markets are generally valued at their closing or latest bid prices as available. Foreign securities and currencies are converted to U.S. dollars using the applicable exchange rate in effect at the close of the New York Stock Exchange ("NYSE"). The Portfolio will determine the market value of individual securities held by it by using prices provided by one or more approved professional pricing services or, as needed, by obtaining market quotations from independent broker-dealers. Most debt securities are valued in accordance with the evaluated bid price supplied by the pricing service that is intended to reflect market value. The evaluated bid price supplied by the pricing service is an evaluation that may consider factors such as security prices, yields, maturities and ratings. Certain short-term securities maturing within 60 days or less may be evaluated and valued on an amortized cost basis provided that the amortized cost determined approximates market value. Securities for which market quotations or evaluated prices are not readily available or deemed unreliable are valued at fair value determined in good faith under the Valuation Procedures. Circumstances in which fair value pricing may be utilized include, but are not limited to: (i) a significant event that may affect the securities of a single issuer, such as a merger, bankruptcy, or significant issuer-specific development; (ii) an event that may affect an entire market, such as a natural disaster or significant governmental action; (iii) a nonsignificant event such as a market closing early or not opening, or a security trading halt; and (iv) pricing of a nonvalued security and a restricted or nonpublic security. Special valuation considerations may apply with respect to "odd-lot" fixed-income transactions which, due to their small size, may receive evaluated prices by pricing services which reflect a large block trade and not what actually could be obtained for the odd-lot position. The Portfolio uses systematic fair valuation models provided by independent third parties to value international equity securities in order to adjust for stale pricing, which may occur between the close of certain foreign exchanges and the close of the NYSE.

Valuation Inputs Summary

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that

market participants would use in pricing an asset or liability and establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. These inputs are summarized into three broad levels:

Level 1 – Unadjusted quoted prices in active markets the Portfolio has the ability to access for identical assets or liabilities.

Level 2 – Observable inputs other than unadjusted quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Assets or liabilities categorized as Level 2 in the hierarchy generally include: debt securities fair valued in accordance with the evaluated bid or ask prices supplied by a pricing service; securities traded on OTC markets and listed securities for which no sales are reported that are fair valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers transacting in a market for such securities or by a pricing service approved by the Portfolio's Trustees; certain short-term debt securities with maturities of 60 days or less that are fair valued at amortized cost; and equity securities of foreign issuers whose fair value is determined by using systematic fair valuation models provided by independent third parties in order to adjust for stale pricing which may occur between the close of certain foreign exchanges and the close of the NYSE. Other securities that may be categorized as Level 2 in the hierarchy include, but are not limited to, preferred stocks, bank loans, swaps, investments in unregistered investment companies, options, and forward contracts.

Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Portfolio's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Portfolio since the beginning of the fiscal year.

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2016 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

The Portfolio recognizes transfers between the levels as of the beginning of the fiscal year. The following describes the amounts of transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period.

Financial assets of $5,066,776 were transferred out of Level 1 to Level 2 since certain foreign equity prices were applied a fair valuation adjustment factor at the end of the current period and no factor was applied at the end of the prior fiscal year.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Portfolio is informed of the dividend, if such information is obtained subsequent to the ex-dividend date. Dividends from foreign securities may be subject to withholding taxes in foreign jurisdictions. Interest income is recorded on the accrual basis and includes amortization of premiums and accretion of discounts. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income, as well as gains and losses, both realized and unrealized, are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Expenses

The Portfolio bears expenses incurred specifically on its behalf. Each class of shares bears a portion of general expenses, which are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and

liabilities and disclosure of contingent 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.

Indemnifications

In the normal course of business, the Portfolio may enter into contracts that contain provisions for indemnification of other parties against certain potential liabilities. The Portfolio's maximum exposure under these arrangements is unknown, and would involve future claims that may be made against the Portfolio that have not yet occurred. Currently, the risk of material loss from such claims is considered remote.

Foreign Currency Translations

The Portfolio does not isolate that portion of the results of operations resulting from the effect of changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at the date of the financial statements. Net unrealized appreciation or depreciation of investments and foreign currency translations arise from changes in the value of assets and liabilities, including investments in securities held at the date of the financial statements, resulting from changes in the exchange rates and changes in market prices of securities held.

Currency gains and losses are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to foreign security transactions and income translations.

Foreign currency-denominated assets and forward currency contracts may involve more risks than domestic transactions, including currency risk, counterparty risk, political and economic risk, regulatory risk and equity risk. Risks may arise from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

Dividends and Distributions

The Portfolio may make semiannual distributions of substantially all of its investment income and an annual distribution of its net realized capital gains (if any).

The Portfolio may make certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon funds available from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. If the Portfolio distributes such amounts, such distributions could constitute a return of capital to shareholders for federal income tax purposes.

Federal Income Taxes

The Portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income in accordance with the requirements of Subchapter M of the Internal Revenue Code. Management has analyzed the Portfolio's tax positions taken for all open federal income tax years, generally a three-year period, and has concluded that no provision for federal income tax is required in the Portfolio's financial statements. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

2. Derivative Instruments

The Portfolio may invest in various types of derivatives, which may at times result in significant derivative exposure. A derivative is a financial instrument whose performance is derived from the performance of another asset. The Portfolio may invest in derivative instruments including, but not limited to: futures contracts, put options, call options, options on future contracts, options on foreign currencies, options on recovery locks, options on security and commodity indices, swaps, forward contracts, structured investments, and other equity-linked derivatives. Each derivative instrument that was held by the Portfolio during the period ended June 30, 2016 is discussed in further detail below. A summary of derivative activity by the Fund is reflected in the tables at the end of this section.

The Portfolio may use derivative instruments for hedging purposes (to offset risks associated with an investment, currency exposure, or market conditions), to adjust currency exposure relative to a benchmark index, or for speculative purposes (to earn income and seek to enhance returns). When the Portfolio invests in a derivative for speculative purposes, the Portfolio will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the derivative's cost. The Portfolio may not use any derivative to gain exposure to an asset or class of assets that it would be prohibited by its investment restrictions from purchasing directly. The Portfolio's ability to use derivative instruments may also be limited by tax considerations.

Investments in derivatives in general are subject to market risks that may cause their prices to fluctuate over time. Investments in derivatives may not directly correlate with the price movements of the underlying instrument. As a result, the use of derivatives may expose the Portfolio to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. The use of derivatives may result in larger losses or smaller gains than otherwise would be the case. Derivatives can be volatile and may involve significant risks.

In pursuit of its investment objective, the Portfolio may seek to use derivatives to increase or decrease exposure to the following market risk factors:

- **Commodity Risk** – the risk related to the change in value of commodities or commodity-linked investments due to changes in the overall market movements, volatility of the underlying benchmark, changes in interest rates, or other factors affecting a particular industry of commodity such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.
- **Counterparty Risk** – the risk that the counterparty (the party on the other side of the transaction) on a derivative transaction will be unable to honor its financial obligation to the Portfolio.
- **Credit Risk** – the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations.
- **Currency Risk** – the risk that changes in the exchange rate between currencies will adversely affect the value (in U.S. dollar terms) of an investment.
- **Equity Risk** – the risk related to the change in value of equity securities as they relate to increases or decreases in the general market.
- **Index Risk** – if the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index. If the index changes, the Portfolio could receive lower interest payments or experience a reduction in the value of the derivative to below what the Portfolio paid. Certain indexed securities, including inverse securities (which move in an opposite direction to the index), may create leverage, to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.
- **Interest Rate Risk** – the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause the Portfolio's NAV to likewise decrease.
- **Leverage Risk** – the risk associated with certain types of leveraged investments or trading strategies pursuant to which relatively small market movements may result in large changes in the value of an investment. The Portfolio creates leverage by investing in instruments, including derivatives, where the investment loss can exceed the original amount invested. Certain investments or trading strategies, such as short sales, that involve leverage can result in losses that greatly exceed the amount originally invested.
- **Liquidity Risk** – the risk that certain securities may be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth.

Derivatives may generally be traded OTC or on an exchange. Derivatives traded OTC are agreements that are individually negotiated between parties and can be tailored to meet a purchaser's needs. OTC derivatives are not guaranteed by a clearing agency and may be subject to increased credit risk.

In an effort to mitigate credit risk associated with derivatives traded OTC, the Portfolio may enter into collateral agreements with certain counterparties whereby, subject to certain minimum exposure requirements, the Portfolio may require the counterparty to post collateral if the Portfolio has a net aggregate unrealized gain on all OTC derivative contracts with a particular counterparty. There is no guarantee that counterparty exposure is reduced and these arrangements are dependent on Janus Capital's ability to establish and maintain appropriate systems and trading.

Forward Foreign Currency Exchange Contracts

A forward foreign currency exchange contract ("forward currency contract") is an obligation to buy or sell a specified currency at a future date at a negotiated rate (which may be U.S. dollars or a foreign currency). The Portfolio may enter into forward currency contracts for hedging purposes, including, but not limited to, reducing exposure to changes in foreign currency exchange rates on foreign portfolio holdings and locking in the U.S. dollar cost of firm purchase and sale commitments for securities denominated in or exposed to foreign currencies. The Portfolio may also invest in forward currency contracts for nonhedging purposes such as seeking to enhance returns. The Portfolio is subject to currency risk and counterparty risk in the normal course of pursuing its investment objective through its investments in forward currency contracts.

Forward currency contracts are valued by converting the foreign value to U.S. dollars by using the current spot U.S. dollar exchange rate and/or forward rate for that currency. Exchange and forward rates as of the close of the NYSE shall be used to value the forward currency contracts.

The unrealized appreciation/(depreciation) for forward currency contracts is reported in the Statement of Assets and Liabilities as a receivable or payable and in the Statement of Operations for the change in unrealized net appreciation/depreciation (if applicable). The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing a forward currency contract is reported on the Statement of Operations (if applicable).

During the period, the Portfolio entered into forward currency contracts with the obligation to sell foreign currencies in the future at an agreed upon rate in order to decrease exposure to currency risk associated with foreign currency denominated securities held by the Portfolio.

During the period ended June 30, 2016, the average ending monthly currency value amounts on sold forward currency contracts is $18,385,002.

The following table, grouped by derivative type, provides information about the fair value and location of derivatives within the Statement of Assets and Liabilities as of June 30, 2016.

Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2016

	Currency Contracts
Asset Derivatives:	
Forward currency contracts	$ 196,031
Liability Derivatives:	
Forward currency contracts	$ 16,492

The following tables provide information about the effect of derivatives and hedging activities on the Portfolio's Statement of Operations for the period ended June 30, 2016.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2016

Amount of Realized Gain/(Loss) Recognized on Derivatives

Derivative	*Currency Contracts*
Investments and foreign currency transactions	$ (610,138)

Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives

Derivative	*Currency Contracts*
Investments, foreign currency translations and non-interested Trustees' deferred compensation	$ (3,802)

Please see the Portfolio's Statement of Operations for the Portfolio's "Net Realized and Unrealized Gain/(Loss) on Investments."

3. Other Investments and Strategies

Additional Investment Risk

The financial crisis in both the U.S. and global economies over the past several years has resulted, and may continue to result, in a significant decline in the value and liquidity of many securities of issuers worldwide in the equity and fixed-income/credit markets. In response to the crisis, the United States and certain foreign governments, along with the U.S. Federal Reserve and certain foreign central banks, took steps to support the financial markets. The withdrawal of this support, a failure of measures put in place to respond to the crisis, or investor perception that such efforts were not sufficient could each negatively affect financial markets generally, and the value and liquidity of specific securities. In addition, policy and legislative changes in the United States and in other countries continue to impact many aspects of financial regulation. The effect of these changes on the markets, and the practical implications for market participants, including the Portfolio, may not be fully known for some time. As a result, it may also be unusually difficult to identify both investment risks and opportunities, which could limit or preclude the Portfolio's ability to achieve its investment objective. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit. As a result, financial markets in the EU experienced extreme volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom voted to exit the EU (known as "Brexit"). One or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

Certain areas of the world have historically been prone to and economically sensitive to environmental events such as, but not limited to, hurricanes, earthquakes, typhoons, flooding, tidal waves, tsunamis, erupting volcanoes, wildfires or droughts, tornadoes, mudslides, or other weather-related phenomena. Such disasters, and the resulting physical or economic damage, could have a severe and negative impact on the Portfolio's investment portfolio and, in the longer term, could impair the ability of issuers in which the Portfolio invests to conduct their businesses as they would under normal conditions. Adverse weather conditions may also have a particularly significant negative effect on issuers in the agricultural sector and on insurance companies that insure against the impact of natural disasters.

Counterparties

Portfolio transactions involving a counterparty are subject to the risk that the counterparty or a third party will not fulfill its obligation to the Portfolio ("counterparty risk"). Counterparty risk may arise because of the counterparty's financial condition (i.e., financial difficulties, bankruptcy, or insolvency), market activities and developments, or other reasons, whether foreseen or not. A counterparty's inability to fulfill its obligation may result in significant financial loss to the Portfolio. The Portfolio may be unable to recover its investment from the counterparty or may obtain a limited recovery, and/or recovery may be delayed. The extent of the Portfolio's exposure to counterparty risk with respect to financial assets and liabilities approximates its carrying value. See the "Offsetting Assets and Liabilities" section of this Note for further details.

The Portfolio may be exposed to counterparty risk through participation in various programs, including, but not limited to, lending its securities to third parties, cash sweep arrangements whereby the Portfolio's cash balance is invested in one or more types of cash management vehicles, as well as investments in, but not limited to, repurchase agreements, debt securities, and derivatives, including various types of swaps, futures and options. The Portfolio intends to enter into financial transactions with counterparties that Janus Capital believes to be creditworthy at the time of the transaction. There is always the risk that Janus Capital's analysis of a counterparty's creditworthiness is incorrect or may change due to market conditions. To the extent that the Portfolio focuses its transactions with a limited number of counterparties, it will have greater exposure to the risks associated with one or more counterparties.

Offsetting Assets and Liabilities

The Portfolio presents gross and net information about transactions that are either offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement with a designated counterparty, regardless of whether the transactions are actually offset in the Statement of Assets and Liabilities.

In order to better define its contractual rights and to secure rights that will help the Portfolio mitigate its counterparty risk, the Portfolio has entered into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between the Portfolio and a counterparty that governs OTC derivatives and forward foreign currency exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, in the event of a default and/or termination event, the Portfolio may offset with each counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. For financial reporting purposes, the Portfolio does not offset certain derivative financial instruments' payables and receivables and related collateral on the Statement of Assets and Liabilities.

The following tables present gross amounts of recognized assets and/or liabilities and the net amounts after deducting collateral that has been pledged by counterparties or has been pledged to counterparties (if applicable). For corresponding information grouped by type of instrument, see either the "Fair Value of Derivative Instruments as of June 30, 2016" table located in Note 2 of these Notes to Financial Statements and/or the Portfolio's Schedule of Investments.

Offsetting of Financial Assets and Derivative Assets

Counterparty	*Gross Amounts of Recognized Assets*	*Offsetting Asset or Liability*[(a)]	*Collateral Pledged*[(b)]	*Net Amount*
Bank of America	$ 15,994	$ —	$ —	$ 15,994
Citibank NA	7,560	(6,680)	—	880
Credit Suisse International	9,804	—	—	9,804
Deutsche Bank AG	33,488,209	—	(33,488,209)	—
HSBC Securities (USA), Inc.	12,658	(9,812)	—	2,846
JPMorgan Chase & Co.	37,191	—	—	37,191
RBC Capital Markets Corp.	112,824	—	—	112,824
Total	$ 33,684,240	$ (16,492)	$ (33,488,209)	$ 179,539

Offsetting of Financial Liabilities and Derivative Liabilities

Counterparty	*Gross Amounts of Recognized Liabilities*	*Offsetting Asset or Liability[a]*	*Collateral Pledged[b]*	*Net Amount*
Citibank NA	$ 6,680	$ (6,680)	$ —	$ —
HSBC Securities (USA), Inc.	9,812	(9,812)	—	—
Total	$ 16,492	$ (16,492)	$ —	$ —

(a) Represents the amount of assets or liabilities that could be offset with the same counterparty under master netting or similar agreements that management elects not to offset on the Statement of Assets and Liabilities.

(b) Collateral pledged is limited to the net outstanding amount due to/from an individual counterparty. The actual collateral amounts pledged may exceed these amounts and may fluctuate in value.

Deutsche Bank AG acts as securities lending agent and a limited purpose custodian or subcustodian to receive and disburse cash balances and cash collateral, hold short-term investments, hold collateral, and perform other custodian functions. Securities on loan will be continuously secured by collateral which may consist of cash, U.S. Government securities, domestic and foreign short-term debt instruments, letters of credit, time deposits, repurchase agreements, money market mutual funds or other money market accounts, or such other collateral as permitted by the SEC. The value of the collateral must be at least 102% of the market value of the loaned securities that are denominated in U.S. dollars and 105% of the market value of the loaned securities that are not denominated in U.S. dollars. Upon receipt of cash collateral, Janus Capital intends to invest the cash collateral in a cash management vehicle for which Janus Capital serves as investment adviser, Janus Cash Collateral Fund LLC. Loaned securities and related collateral are marked-to-market each business day based upon the market value of the loaned securities at the close of business, employing the most recent available pricing information. Collateral levels are then adjusted based on this mark-to-market evaluation.

The Portfolio does not exchange collateral on its forward currency contracts with its counterparties; however, the Portfolio may segregate cash or high-grade securities in an amount at all times equal to or greater than the Portfolio's commitment with respect to these contracts. Such segregated assets, if with the Portfolio's custodian, are denoted on the accompanying Schedule of Investments and are evaluated daily to ensure their market value equals or exceeds the current market value of the Portfolio's corresponding forward currency contracts.

Real Estate Investing

The Portfolio may invest in equity and debt securities of real estate-related companies. Such companies may include those in the real estate industry or real estate-related industries. These securities may include common stocks, corporate bonds, preferred stocks, and other equity securities, including, but not limited to, mortgage-backed securities, real estate-backed securities, securities of REITs and similar REIT-like entities. A REIT is a trust that invests in real estate-related projects, such as properties, mortgage loans, and construction loans. REITs are generally categorized as equity, mortgage, or hybrid REITs. A REIT may be listed on an exchange or traded OTC.

Securities Lending

Under procedures adopted by the Trustees, the Portfolio may seek to earn additional income by lending securities to qualified parties. Deutsche Bank AG acts as securities lending agent and a limited purpose custodian or subcustodian to receive and disburse cash balances and cash collateral, hold short-term investments, hold collateral, and perform other custodian functions. The Portfolio may lend portfolio securities in an amount equal to up to 1/3 of its total assets as determined at the time of the loan origination. There is the risk of delay in recovering a loaned security or the risk of loss in collateral rights if the borrower fails financially. In addition, Janus Capital makes efforts to balance the benefits and risks from granting such loans. All loans will be continuously secured by collateral which may consist of cash, U.S. Government securities, domestic and foreign short-term debt instruments, letters of credit, time deposits, repurchase agreements, money market mutual funds or other money market accounts, or such other collateral as permitted by the SEC. If the Portfolio is unable to recover a security on loan, the Portfolio may use the collateral to purchase replacement securities in the market. There is a risk that the value of the collateral could decrease below the cost of the replacement security by the time the replacement investment is made, resulting in a loss to the Portfolio.

Upon receipt of cash collateral, Janus Capital may invest it in affiliated or non-affiliated cash management vehicles, whether registered or unregistered entities, as permitted by the 1940 Act and rules promulgated thereunder. Janus Capital currently intends to invest the cash collateral in a cash management vehicle for which Janus Capital serves as investment adviser, Janus Cash Collateral Fund LLC. An investment in Janus Cash Collateral Fund LLC is generally subject to the same risks that shareholders experience when investing in similarly structured vehicles, such as the potential for significant fluctuations in assets as a result of the purchase and redemption activity of the securities lending program, a decline in the value of the collateral, and possible liquidity issues. Such risks may delay the return of the cash collateral and cause the Portfolio to violate its agreement to return the cash collateral to a borrower in a timely manner. As adviser to the Portfolio and Janus Cash Collateral Fund LLC, Janus Capital has an inherent conflict of interest as a result of its fiduciary duties to both the Portfolio and Janus Cash Collateral Fund LLC. Additionally, Janus Capital receives an investment advisory fee of 0.05% for managing Janus Cash Collateral Fund LLC, but it may not receive a fee for managing certain other affiliated cash management vehicles in which the Portfolio may invest, and therefore may have an incentive to allocate preferred investment opportunities to investment vehicles for which it is receiving a fee.

The value of the collateral must be at least 102% of the market value of the loaned securities that are denominated in U.S. dollars and 105% of the market value of the loaned securities that are not denominated in U.S. dollars. Loaned securities and related collateral are marked-to-market each business day based upon the market value of the loaned securities at the close of business, employing the most recent available pricing information. Collateral levels are then adjusted based on this mark-to-market evaluation.

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments. Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as “Affiliated securities lending income, net” on the Statement of Operations. As of June 30, 2016, securities lending transactions accounted for as secured borrowings with an overnight and continuous contractual maturity are $33,488,209 for equity securities. Gross amounts of recognized liabilities for securities lending (collateral received) as of June 30, 2016 is $34,245,394, resulting in the net amount due to the counterparty of $757,185.

4. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio’s contractual investment advisory fee rate (expressed as an annual rate) is 0.64% of its average daily net assets.

Janus Services LLC (“Janus Services”), a wholly-owned subsidiary of Janus Capital, is the Portfolio’s transfer agent. Effective May 1, 2016, Janus Services receives an administrative services fee at an annual rate of 0.05% of the average daily net assets of the Portfolio for arranging for the provision by participating insurance companies and qualified plan service providers of administrative services, including recordkeeping, subaccounting, order processing, or other shareholder services provided on behalf of contract holders or plan participants investing in the Portfolio. Other shareholder services may include the provision of order confirmations, periodic account statements, forwarding prospectuses, shareholder reports, and other materials to existing investors, and answering inquiries regarding accounts. Janus Services expects to use this entire fee to compensate insurance companies and qualified plan service providers for providing these services to their customers who invest in the Portfolio. Any unused portion will be reimbursed to the applicable share class at least annually.

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services related to the shares, except for out-of-pocket costs. These amounts are disclosed as “Other transfer agent fees and expenses” on the Statement of Operations.

Under a distribution and shareholder servicing plan (the “Plan”) adopted in accordance with Rule 12b-1 under the 1940 Act, the Service Shares may pay the Trust’s distributor, Janus Distributors LLC (“Janus Distributors”), a wholly-owned subsidiary of Janus Capital, a fee for the sale and distribution and/or shareholder servicing of the Service Shares at an annual rate of up to 0.25% of the average daily net assets of the Service Shares. Under the terms of the Plan, the Trust is authorized to make payments to Janus Distributors for remittance to insurance companies and qualified plan service providers as compensation for distribution and/or shareholder services performed by such entities. These amounts are disclosed as “12b-1 Distribution and shareholder servicing fees” on the Statement of Operations. Payments under the Plan are not tied exclusively to actual 12b-1 distribution and servicing fees, and the payments may exceed 12b-1 distribution and servicing fees actually incurred. If any of the Portfolio’s actual 12b-1 distribution and servicing fees incurred during a calendar year are less than the payments made during a calendar year, the Portfolio will be refunded the difference. Refunds, if any, are included in “12b-1 Distribution fees and shareholder servicing fees” in the Statement of Operations.

Janus Capital furnishes certain administration, compliance, and accounting services for the Portfolio and is reimbursed by the Portfolio for certain of its costs in providing those services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). In addition, employees of Janus Capital and/or its affiliates may serve as officers of the Trust. The Portfolio also pays for salaries, fees, and expenses of certain Janus Capital employees and Portfolio officers, with respect to certain specified administration functions they perform on behalf of the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as “Portfolio administration fees” on the Statement of Operations. Some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and compliance staff are shared with the Portfolio. Total compensation of $28,304 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2016. The Portfolio's portion is reported as part of “Other expenses” on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the “Deferred Plan”) for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2016 on the Statement of Assets and Liabilities in the asset, “Non-interested Trustees’ deferred compensation,” and liability, “Non-interested Trustees’ deferred compensation fees.” Additionally, the recorded unrealized appreciation/(depreciation) is included in “Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees’ deferred compensation” on the Statement of Assets and Liabilities. Deferred compensation expenses for the period ended June 30, 2016 are included in “Non-interested Trustees’ fees and expenses” on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $20,150 were paid by the Trust to a Trustee under the Deferred Plan during the period ended June 30, 2016.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or nonaffiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or nonaffiliated money market funds or cash management pooled investment vehicles. The Portfolio is eligible to participate in the cash sweep program (the “Investing Funds”). As adviser, Janus Capital has an inherent conflict of interest because of its fiduciary duties to the affiliated money market funds or cash management pooled investment vehicles and the Investing Funds. Janus Cash Liquidity Fund LLC is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. Janus Cash Liquidity Fund LLC currently maintains a NAV of $1.00 per share and distributes income daily in a manner consistent with a registered product compliant with Rule 2a-7 under the 1940 Act. There are no restrictions on the Portfolio's ability to withdraw investments from Janus Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Cash Liquidity Fund LLC. The units of Janus Cash Liquidity Fund LLC are not charged any management fee, sales charge or service fee.

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the period ended June 30, 2016 can be found in a table located in the Notes to Schedule of Investments and Other Information.

5. Federal Income Tax

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses, and capital loss carryovers.

The Portfolio has elected to treat gains and losses on forward foreign currency contracts as capital gains and losses, if applicable. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2016 are noted below.

Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/depreciation on foreign currency translations. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 590,667,736	$280,280,394	$(18,456,140)	$ 261,824,254

6. Capital Share Transactions

	Period ended June 30, 2016		*Year ended December 31, 2015*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	504,545	$28,525,306	814,112	$49,077,557
Reinvested dividends and distributions	626,448	34,861,826	789,910	47,529,145
Shares repurchased	(533,122)	(30,139,219)	(1,076,851)	(65,573,433)
Net Increase/(Decrease)	597,871	$33,247,913	527,171	$31,033,269
Service Shares:				
Shares sold	1,187,601	$63,486,897	1,538,508	$89,152,188
Reinvested dividends and distributions	587,823	31,048,820	602,094	34,582,431
Shares repurchased	(505,823)	(27,203,400)	(955,872)	(55,853,548)
Net Increase/(Decrease)	1,269,601	$67,332,317	1,184,730	$67,881,071

7. Purchases and Sales of Investment Securities

For the period ended June 30, 2016, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, and in-kind transactions) was as follows:

Purchases of Securities	*Proceeds from Sales of Securities*	*Purchases of Long-Term U.S. Government Obligations*	*Proceeds from Sales of Long-Term U.S. Government Obligations*
$109,447,784	$ 66,163,813	$ -	$ -

8. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2016 and through the date of issuance of the Portfolio's financial statements and determined that there were material events or transactions that would require recognition or disclosure in the Portfolio's financial statements, as discussed below.

Janus Aspen Enterprise Portfolio
Additional Information (unaudited)

Proxy Voting Policies and Voting Record
A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-0020 (toll free); (ii) on the Portfolio's website at janus.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janus.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Quarterly Portfolio Holdings
The Portfolio files its complete portfolio holdings (schedule of investments) with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days of the end of such fiscal quarter. The Portfolio's Form N-Q: (i) is available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) is available without charge, upon request, by calling Janus at 1-800-525-0020 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

In connection with their most recent consideration of those agreements for each Fund, the Trustees received and reviewed information provided by Janus Capital and the respective subadvisers in response to requests of the Trustees and their independent legal counsel. They also received and reviewed information and analysis provided by, and in response to requests of, their independent fee consultant. Throughout their consideration of the agreements, the Trustees were advised by their independent legal counsel. The Trustees met with management to consider the agreements, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 9, 2015, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from either January 1 or February 1, 2016 through January 1 or February 1, 2017, respectively, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee

for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

The Trustees concluded that the nature, extent and quality of the services provided by Janus Capital or the subadviser to each Fund were appropriate and consistent with the terms of the respective advisory and subadvisory agreements, and that, taking into account steps taken to address those Funds whose performance lagged that of their peers for certain periods, the Funds were likely to benefit from the continued provision of those services. They also concluded that Janus Capital and each subadviser had sufficient personnel, with the appropriate education and experience, to serve the Funds effectively and had demonstrated its ability to attract well-qualified personnel.

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2015, approximately 70% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2015, approximately 61% of the Funds were in the top two Broadridge quartiles of performance.

The Trustees considered the performance of each Fund, noting that performance may vary by share class, and noted the following:

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and its limited performance history.
- For Janus High-Yield Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.

Value Funds

- For Perkins International Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Perkins Global Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Large Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Select Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Perkins Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and INTECH had taken or were taking to improve performance.
- For INTECH U.S. Core Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Contrarian Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Enterprise Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Forty Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Growth and Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and in the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Research Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Triton Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Twenty Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Emerging Markets Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Real Estate Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Select Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus International Equity Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Overseas Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Allocation Portfolio – Moderate, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile-for the 12 months ended May 31, 2015.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.

In consideration of each Fund's performance, the Trustees concluded that, taking into account the factors relevant to performance, as well as other considerations, including steps taken to improve performance, the Fund's performance warranted continuation of the Fund's investment advisory and subadvisory agreement(s).

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers,

was below the mean management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 14% below the mean total expenses of their respective Broadridge Expense Group peers and 24% below the mean total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 15% below the mean management fees for their Expense Groups and 19% below the mean for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the mean total expenses for its Broadridge Expense Group peers and to mean total expenses for its Broadridge Expense Universe.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual fund level, Fund expenses were found to be reasonable relative to both Expense Group and Expense Universe benchmarks. Further, for certain Funds, the independent fee consultant also performed a systematic "focus list" analysis of expenses in the context of the performance or service delivered to each set of investors in each share class in each selected Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Funds and share classes were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such Funds.

The Trustees considered the methodology used by Janus Capital and each subadviser in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional and subadvised accounts; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) the average spread between management fees charged to the Funds and those charged to Janus Capital's institutional accounts is reasonable relative to the average spreads seen in the industry; and (4) by one estimation methodology, the fee margins implied by Janus Capital's subadvised fees when compared to its mutual fund fees are reasonable relative to the estimated fee margins in the industry and relative to estimated fee margins of fund managers using Janus Capital as a subadviser.

The Trustees considered the fees for each Fund for its fiscal year ended in 2014, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Global Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus has contractually agreed to limit the Fund's expenses.
- For Janus Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group mean due to the Fund's management fee including other costs, such as custody and transfer agent services, while many funds in the peer group pay these expenses separately from their management fee. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

- For Perkins International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Global Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable.

- For Perkins Large Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Mid Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Perkins Select Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Perkins Value Plus Income Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For INTECH International Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Core Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for one share class. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Forty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

- For Janus Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Triton Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Twenty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Venture Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Select Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus International Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for its sole share class.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

The independent fee consultant found that, while assessing the reasonableness of expenses in light of Janus Capital's profits is dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons are limited in accuracy by differences in complex size, business mix, institutional account orientation, and other factors, after accepting these limitations, the level of profit earned by Janus Capital from managing the Funds is reasonable.

The Trustees concluded that the management fees payable by each Fund to Janus Capital and its affiliates, as well as the fees paid by Janus Capital to the subadvisers of subadvised Funds, were reasonable in relation to the nature, extent, and quality of the services provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies, the fees Janus Capital and the subadvisers charge to other clients, and, as applicable, the impact of fund performance on management fees payable by the Funds. The Trustees also concluded that each Fund's total expenses were reasonable, taking into account the size of the Fund, the quality of services

provided by Janus Capital and any subadviser, the investment performance of the Fund, and any expense limitations agreed to or provided by Janus Capital.

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted that their independent fee consultant provided an analysis of economies of scale, which included discussion of analysis from prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 85% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 80% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale considered in prior years, and their conflicting results, its analyses could not confirm or deny the existence of economies of scale in the Janus complex. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Fund. The Trustees concluded that Janus Capital's and the subadvisers' use of these types of client commission arrangements to obtain proprietary and third-party research products and services was consistent with regulatory requirements and guidelines and was likely to benefit each Fund. The Trustees also concluded that, other than the services provided by Janus Capital and its affiliates and subadvisers pursuant to the agreements and the fees to be paid by each Fund therefor, the Funds and Janus Capital and the subadvisers may potentially benefit from their relationship with each other in other ways. They concluded that Janus Capital and/or the subadvisers benefits from the receipt of research products and services acquired through commissions paid on portfolio transactions of the Funds and that the Funds benefit from Janus Capital's and/or the subadvisers' receipt of those products and services as well as research products and services acquired through commissions paid by other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Fund could attract other business to Janus Capital, the subadvisers or other Janus funds, and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Funds.

Janus Aspen Enterprise Portfolio
Useful Information About Your Portfolio Report (unaudited)

Management Commentary

The Management Commentary in this report includes valuable insight as well as statistical information to help you understand how your Portfolio's performance and characteristics stack up against those of comparable indices.

If the Portfolio invests in foreign securities, this report may include information about country exposure. Country exposure is based primarily on the country of risk. A company may be allocated to a country based on other factors such as location of the company's principal office, the location of the principal trading market for the company's securities, or the country where a majority of the company's revenues are derived.

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2016. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus in general.

Performance Overviews

Performance overview graphs compare the performance of a hypothetical $10,000 investment in the Portfolio with one or more widely used market indices. When comparing the performance of the Portfolio with an index, keep in mind that market indices are not available for investment and do not reflect deduction of expenses.

Average annual total returns are quoted for a Portfolio with more than one year of performance history. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period. Average annual total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Cumulative total returns are quoted for a Portfolio with less than one year of performance history. Cumulative total return is the growth or decline in value of an investment over time, independent of the period of time involved. Cumulative total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Pursuant to federal securities rules, expense ratios shown in the performance chart reflect subsidized (if applicable) and unsubsidized ratios. The total annual fund operating expenses ratio is gross of any fee waivers, reflecting the Portfolio's unsubsidized expense ratio. The net annual fund operating expenses ratio (if applicable) includes contractual waivers of Janus Capital and reflects the Portfolio's subsidized expense ratio. Ratios may be higher or lower than those shown in the "Financial Highlights" in this report.

Schedule of Investments

Following the performance overview section is the Portfolio's Schedule of Investments. This schedule reports the types of securities held in the Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. Government obligations, etc.) and by industry classification (banking, communications, insurance, etc.). Holdings are subject to change without notice.

The value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

If the Portfolio invests in foreign securities, it will also provide a summary of investments by country. This summary reports the Portfolio exposure to different countries by providing the percentage of securities invested in each country. The country of each security represents the country of risk. The Portfolio's Schedule of Investments relies upon the industry group and country classifications published by Barclays and/or MSCI Inc.

Tables listing details of individual forward currency contracts, futures, written options, swaptions, and swaps follow the Portfolio's Schedule of Investments (if applicable).

Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolio on the last day of the reporting period.

The Portfolio's assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on securities owned, and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolio's liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid, and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as unrealized gain or loss on forward currency contracts.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolio's net assets. Because the Portfolio must distribute substantially all earnings, you will notice that a significant portion of net assets is shareholder capital.

The last section of this statement reports the net asset value ("NAV") per share on the last day of the reporting period. The NAV is calculated by dividing the Portfolio's net assets for each share class (assets minus liabilities) by the number of shares outstanding.

Statement of Operations

This statement details the Portfolio's income, expenses, realized gains and losses on securities and currency transactions, and changes in unrealized appreciation or depreciation of Portfolio holdings.

The first section in this statement, entitled "Investment Income," reports the dividends earned from securities and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses incurred by the Portfolio, including the advisory fee paid to the investment adviser, transfer agent fees and expenses, and printing and postage for mailing statements, financial reports and prospectuses. Expense offsets and expense reimbursements, if any, are also shown.

The last section lists the amounts of realized gains or losses from investment and foreign currency transactions, and changes in unrealized appreciation or depreciation of investments and foreign currency-denominated assets and liabilities. The Portfolio will realize a gain (or loss) when it sells its position in a particular security. A change in unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolio during the reporting period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

Statements of Changes in Net Assets

These statements report the increase or decrease in the Portfolio's net assets during the reporting period. Changes in the Portfolio's net assets are attributable to investment operations, dividends and distributions to investors, and capital share transactions. This is important to investors because it shows exactly what caused the Portfolio's net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolio's investment operations. The Portfolio's net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends and/or distributions in cash, money is taken out of the Portfolio to pay the dividend and/or distribution. If investors reinvest their dividends and/or distributions, the Portfolio's net assets will not be affected. If you compare the Portfolio's "Net Decrease from Dividends and Distributions" to "Reinvested Dividends and Distributions," you will notice that dividends and distributions have little effect on the Portfolio's net assets. This is because the majority of the Portfolio's investors reinvest their dividends and/or distributions.

The reinvestment of dividends and distributions is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolio through purchases or withdrawals via redemptions. The Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from the Portfolio.

Financial Highlights

This schedule provides a per-share breakdown of the components that affect the Portfolio's NAV for current and past reporting periods as well as total return, asset size, ratios, and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income/(loss) per share. Following is the per share total of net gains/(losses), realized and unrealized. Per share dividends and distributions to investors are then subtracted to arrive at the NAV per share at the end of the

period. The next line reflects the total return for the period. Also included are ratios of expenses and net investment income to average net assets.

The Portfolio's expenses may be reduced through expense offsets and expense reimbursements. The ratios shown reflect expenses before and after any such offsets and reimbursements.

The ratio of net investment income/(loss) summarizes the income earned less expenses, divided by the average net assets of the Portfolio during the reporting period. Do not confuse this ratio with the Portfolio's yield. The net investment income ratio is not a true measure of the Portfolio's yield because it does not take into account the dividends distributed to the Portfolio's investors.

The next figure is the portfolio turnover rate, which measures the buying and selling activity in the Portfolio. Portfolio turnover is affected by market conditions, changes in the asset size of the Portfolio, fluctuating volume of shareholder purchase and redemption orders, the nature of the Portfolio's investments, and the investment style and/or outlook of the portfolio manager(s) and/or investment personnel. A 100% rate implies that an amount equal to the value of the entire portfolio was replaced once during the fiscal year; a 50% rate means that an amount equal to the value of half the portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the entire portfolio is traded every six months.

Janus Aspen Enterprise Portfolio
Shareholder Meeting (unaudited)

A Special Meeting of Shareholders of the Portfolio was held on June 14, 2016. At the meeting, the following matter was voted on and approved by the Shareholders. Each whole or fractional vote reported represents one whole or fractional dollar of net asset value held on the record date for the meeting. The results of the Special Meeting of Shareholders are noted below.

Proposal
To elect eight Trustees, each of whom is considered "independent."

		Number of Votes ($)		
Trustees	*Record Date Votes ($)*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	7,477,409,597.098	6,576,576,690.332	262,206,698.204	6,838,783,388.536
William D. Cvengros	7,477,409,597.098	6,565,725,463.575	273,057,924.961	6,838,783,388.536
Raudline Etienne	7,477,409,597.098	6,560,661,215.330	278,122,173.206	6,838,783,388.536
William F. McCalpin	7,477,409,597.098	6,572,385,644.563	266,397,743.973	6,838,783,388.536
Gary A. Poliner	7,477,409,597.098	6,576,207,507.849	262,575,880.687	6,838,783,388.536
James T. Rothe	7,477,409,597.098	6,559,365,918.898	279,417,469.638	6,838,783,388.536
William D. Stewart	7,477,409,597.098	6,558,013,404.302	280,769,984.235	6,838,783,388.536
Linda S. Wolf	7,477,409,597.098	6,565,131,501.186	273,651,887.350	6,838,783,388.536

	Votes (%)			*Percentage Voted (%)*		
Trustees	*Affirmative*	*Withheld*	*Total*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	87.953	3.507	91.459	96.166	3.834	100.000
William D. Cvengros	87.807	3.652	91.459	96.007	3.993	100.000
Raudline Etienne	87.740	3.719	91.459	95.933	4.067	100.000
William F. McCalpin	87.897	3.563	91.459	96.105	3.895	100.000
Gary A. Poliner	87.948	3.512	91.459	96.160	3.840	100.000
James T. Rothe	87.722	3.737	91.459	95.914	4.086	100.000
William D. Stewart	87.704	3.755	91.459	95.894	4.106	100.000
Linda S. Wolf	87.800	3.660	91.459	95.999	4.001	100.000

Janus Aspen Enterprise Portfolio
Notes

Janus provides access to a wide range of investment disciplines.

Alternative
Janus alternative funds seek to deliver strong risk-adjusted returns over a full market cycle with lower correlation to equity markets than traditional investments.

Asset Allocation
Janus' asset allocation funds utilize our fundamental, bottom-up research to balance risk over the long term. From fund options that meet investors' risk tolerance and objectives to a method that incorporates non-traditional investment choices to seek non-correlated sources of risk and return, Janus' asset allocation funds aim to allocate risk more effectively.

Fixed Income
Janus fixed income funds attempt to provide less risk relative to equities while seeking to deliver a competitive total return through high current income and appreciation. Janus money market funds seek capital preservation and liquidity with current income as a secondary objective.

Global & International
Janus global and international funds seek to leverage Janus' research capabilities by taking advantage of inefficiencies in foreign markets, where accurate information and analytical insight are often at a premium.

Growth & Core
Janus growth funds focus on companies believed to be the leaders in their respective industries, with solid management teams, expanding market share, margins and efficiencies. Janus core funds seek investments in more stable and predictable companies. Our core funds look for a strategic combination of steady growth and, for certain funds, some degree of income.

Mathematical
Our mathematical funds seek to outperform their respective indices while maintaining a risk profile equal to or lower than the index itself. Managed by INTECH® (a Janus subsidiary), these funds use a mathematical process in an attempt to build a more "efficient" portfolio than the index.

Value
Our value funds, managed by Perkins® (a Janus subsidiary), seek to identify companies with favorable reward to risk characteristics by conducting rigorous downside analysis before determining upside potential.

For more information about our funds, contact your investment professional or go to janus.com/variable-insurance.

JANUS®

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus at 877.33JANUS (52687) or download the file from janus.com/variable-insurance. Read it carefully before you invest or send money.

Funds distributed by Janus Distributors LLC

Investment products offered are: NOT FDIC-INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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SEMIANNUAL REPORT
June 30, 2016

Janus Aspen Global Research Portfolio

Janus Aspen Series

HIGHLIGHTS

- Portfolio management perspective
- Investment strategy behind your portfolio
- Portfolio performance, characteristics and holdings

JANUS®

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Janus Aspen Global Research Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We are bottom-up, fundamental investors. We believe a deep, independent research process and high- conviction investing will deliver exceptional results.

Team-Based Approach
Led by Carmel Wellso,
Director of Research

PERFORMANCE SUMMARY

Janus Aspen Global Research Portfolio's Institutional Shares and Service Shares returned -2.18% and -2.31%, respectively, over the six-month period ended June 30, 2016, while its primary benchmark, the MSCI World Index, and its secondary benchmark, the MSCI All Country World Index, returned 0.66% and 1.23%, respectively.

MARKET ENVIRONMENT

The building pressure in global equities in late 2015 erupted into a broad-based sell-off in January and February. Once again, a chief concern was the fear of slower-than-expected growth in China, the world's second-largest economy. The negative sentiment was also reflected in energy market weakness. Later in the quarter, markets regained confidence, with both stocks and crude retracing earlier losses. Investors also found rationale for bullishness in the actions of central banks. The European Central Bank (ECB) extended the size and scope of its quantitative easing program and the Federal Reserve (Fed) lowered its projected forecast for interest rate hikes.

Global stocks traded narrowly for much of the April-June period. Concerns about global growth remained, but investors gleaned enough positive news from economic data to keep stocks buoyant. Expectations of an interest rate hike in the near term by the Fed, however, were quashed by the weak May employment report. This sent the value of the dollar downward, a move that provided additional support to U.S. equities and global – especially emerging market – currencies. Markets were jolted in late June by the UK electorate's surprise decision to leave the European Union (EU). Global stocks tumbled and the dollar surged, as capital flowed into safe-haven government bonds, thereby driving yields lower. Yet over the period's final few sessions, many stock indices were able to return to pre-Brexit levels.

PERFORMANCE DISCUSSION

Our seven global sector teams employ a bottom-up, fundamental approach to identify what we consider the best global opportunities. Our analysts take a long-term view of companies with a focus on value creation and duration of growth, which lead to high returns on invested capital. The Portfolio directly captures the insights of our teams through their highest-conviction ideas. In building a diversified portfolio, we seek to minimize macroeconomic risks while generating superior performance over longer periods.

On a sector basis, the Portfolio's consumer and financial holdings detracted most from relative results. The lone sector to contribute to relative performance was technology, with stock selection being the driving force.

NGK Spark Plug of Japan weighed on performance, caught up in a confluence of aggravating factors. A large portion of the company's operations are in Japan, thus making it highly sensitive to fluctuations in the Japanese yen. Given the period's dramatic strengthening of the yen, the potential foreign currency impact on NGK became a significant headwind. Operationally, the company continues to wrestle with turning around its ceramic package business. While it recently exited its plastic packaging division, the ceramics unit, upon which management has a more favorable view, has yet to signal a turnaround. Lastly, in anticipation of increased demand for spark plugs, the company has invested in expanding capacity and chose to aggressively depreciate the expenditure. These accelerated expenses come at a poor time as they magnify the pressure on earnings caused by the strong yen. Longer term, we still view NGK favorably, not only for the expected growth in demand for its core products, but also in anticipation that a new management team with a proven track record can turn around the ceramics business.

Endo International was a detractor. Endo and other specialty pharmaceutical companies have suffered from a massive change in industry sentiment due to Valeant's problems. Endo was also impacted by a few of its own company-specific issues, including concern it overpaid for a couple of drugs it acquired and slower sales for Xiaflex, a drug used to treat adults with Dupuytren's contracture. While the company stands to benefit from a new product that launched in early 2016 (Belbuca, a Schedule-3 opioid), we chose to exit our position in Endo during the period.

While the energy sector recovered over the period on the back of improving crude oil prices, master limited partnerships (MLP), including portfolio holding MPLX, did not fully participate in the rally. MPLX ultimately detracted from performance due to company specific issues. Management announced that it cut its forecast for 2016 distribution growth by roughly half. As a consequence, the stock sold off considerably, with many investors harboring doubts about management credibility when providing long-term growth guidance. The company possesses a portfolio of attractive assets, but MLPs can be greatly impacted by management decisions regarding distribution growth and capital expenditure. By the end of the period we exited the holding.

Medical device maker Boston Scientific reported strong results. Performance was especially strong in the company's interventional cardiology unit, as well as in urology and neuromodulation. Margin performance was also impressive. At a recent American College of Cardiology conference, strong data for transcatheter aortic valve replacement (TAVR) devices in intermediate risk patients led many to raise their estimates of the long-term market potential. Boston Scientific is the number three player in the TAVR market and stands to benefit from wider acceptance of these devices. More broadly, medical equipment makers benefited from the move away from specialty pharmaceutical, which has occurred over the first half of the year.

We have long favored quarterly contributor Keyence, a Japan-based factory automation company. Keyence continues to register strong organic growth rates as evidenced by the recently reported 10% top-line growth, which exceeded market expectations. Even in a period when factory automation has proven resilient, Keyence continues to be among the leaders in the field. We view the company's success as the result of its unique business model, which is centered on value-added consulting services provided by a skilled sales team. By partnering with clients to develop custom solutions to meet their specific needs, Keyence is able to command solid pricing for its services while still delivering value. The result for Keyence has been impressive profit margins and delivering a high return on invested capital.

Shares in confectioner Hershey rose dramatically during the period's final week on the news of an unsolicited bid by rival Mondelez. The potential deal represents another step in consolidation of the global food and beverage industry. Mondelez – the maker of Cadbury chocolate and Oreo cookies – is seeking to further leverage scale to drive margin expansion in an effort to combat slowing revenue growth in key emerging markets where it has a strong presence. Hershey, on the other hand, generates most of its sales within the U.S., and its brands could benefit from access to Mondelez' global distribution network. Investors cheered the possibility of a tie-up as the deal may offer fertile ground for extracting more margin-enhancing synergies that have been the hallmark of many recent deals, although approval from the Hershey Trust remains an open question.

OUTLOOK

Once again, summer comes with volatility out of Europe. The 43-year marriage between the UK and its continental neighbors moves to a messy and long divorce negotiation – with a lot of assets at stake.

On the day the Brexit results were announced, global equities shed a remarkable – and a record – $2.1 trillion in value, only to climb back in the final days of June. The fall and subsequent bounce likely presage a volatile summer for stocks and many other asset classes. Beyond the uncertainty in the UK and on the continent, as the currencies and stock markets weaken, Brexit has implications for China and Japan, and for U.S. companies sensitive to a stronger dollar. We see an environment where portfolios that have lower exposure to volatility and a lower beta should hold up on a relative basis. In the last year, more volatile stocks have been exceptionally poor contributors for active investors.

Brexit is another sign that populism is taking hold of the electorate, many of whom suffered in the global financial crisis and feel that they haven't fully participated in the recovery. Mildly improving economies and healthier sovereign balance sheets are slim comfort to many who are struggling to regain a pre-crisis standard of living.

Against the economic backdrop, along with the migrant crisis and specter of terrorism, which are unfairly linked, we may see additional political turmoil leading market disruption. It is easier to leave the EU than to leave the euro, but the rise of populist parties in Europe suggests we may see calls for both in the coming months. Many key European elections happen over the next year.

Step back from the politics, however, and the picture improves. Consumer confidence and activity is generally holding up. Companies once again have flush balance sheets. While they are cautious on expansion capital expenditures, companies are using the cash to buy shares or pay dividends. Several of the key issues from earlier this year seem less vexing. Oil has recovered and China seems to be on a more certain path. Federal Reserve policy remains tough to foresee, however, but should be data dependent. A rate hike, therefore, might be a strong signal of economic strength and therefore positive for equity markets.

For active investors, the key is to try to hold the line during this period of volatility. We do not think that it is a time to try to run to defensive stocks or to broaden a portfolio so much that it solely mimics an index. It is too difficult to predict when markets calm and fundamentals matter more. The last several years have been conducive for passive investing. A defensive market can penalize active investors, especially those with a growth bent or who own smaller than average companies. When markets calms, active investing can recover.

Certain sectors can hold up better. The outlooks for technology and health care have not changed much with the Brexit vote. The shift to the cloud and the challenge to legacy tech companies carry on and provide attractive investment opportunities. The innovation of medicine and the demographic shifts we have often discussed remain. Both sectors are cheaper following the turmoil but no less attractive. Other sectors face a tougher row. Financials, which fell stunningly following Brexit, face the difficult problems of challenging economic conditions, corporate uncertainty about borrowing, negative interest rates and shrinking margins. UK banks also must endure an uncertain regulatory environment. Industrials could struggle with a strong U.S. dollar and weak global markets.

The road of crisis seems a little too well traveled lately. Whether Brexit is like Cyprus – a noisy event with few long-term implications – or like Lehman – which sparked a global panic with ripples still touching us today – remains to be seen. Our leaning is toward the former but it doesn't mean the summer won't be tough for equities. Active equity could struggle more in the near term because it is typically is less exposed to large cap, to yield and to defensiveness overall than most indices. Longer term, the importance of growth and innovation should matter more in a sluggish global economy. Our focus on these companies is not changing.

If the summer of our discontent is made glorious, therefore, it will be because investors focus on better fundamentals and ignore the political uncertainty. We recognize the fragility of the economic recovery and the stretched policies of central banks, but our base case remains positive on equities. In previous periods of market pique, defensive environments gave way to stronger equity markets that favor active managers with a tolerance for volatility, growth and higher than average multiples. Our vote (and our money) goes there.

Thank you for your investment in Janus Aspen Global Research Portfolio.

Janus Aspen Global Research Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Top Performers - Holdings

	Contribution
Hershey Co.	0.38%
Enterprise Products Partners LP	0.28%
Canadian Natural Resources, Ltd.	0.26%
Boston Scientific Corp.	0.25%
Keyence Corp.	0.24%

5 Bottom Performers - Holdings

	Contribution
NGK Spark Plug Co., Ltd.	-0.66%
MPLX LP	-0.51%
Endo International PLC	-0.46%
Jones Lang LaSalle, Inc.	-0.35%
Lloyds Banking Group PLC	-0.31%

4 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Technology	0.56%	10.66%	10.49%
Other**	-0.02%	0.23%	0.00%
Communications	-0.31%	10.67%	10.61%
Industrials	-0.37%	18.01%	18.09%

4 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Financials	-1.11%	20.86%	20.90%
Consumer	-0.73%	16.17%	16.19%
Energy	-0.49%	9.76%	9.88%
Healthcare	-0.46%	13.66%	13.85%

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

* The sectors listed above reflect those covered by the seven analyst teams who comprise the Janus Research Team.

** Not a GICS classified sector.

Janus Aspen Global Research Portfolio (unaudited)
Portfolio At A Glance
June 30, 2016

5 Largest Equity Holdings - (% of Net Assets)

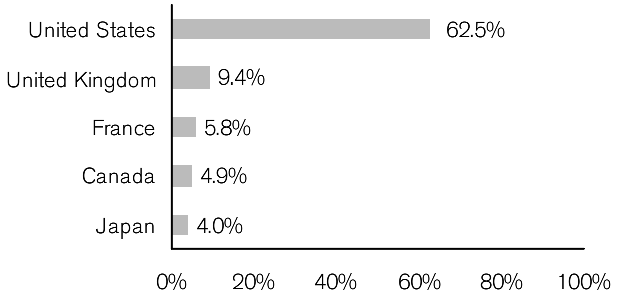
Alphabet, Inc. - Class C	
Internet Software & Services	2.2%
AIA Group, Ltd.	
Insurance	2.0%
Coca-Cola Co.	
Beverages	1.8%
Enterprise Products Partners LP	
Oil, Gas & Consumable Fuels	1.7%
Total SA	
Oil, Gas & Consumable Fuels	1.7%
	9.4%

Asset Allocation - (% of Net Assets)

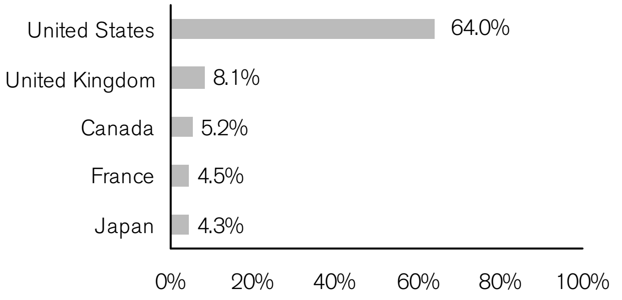
Common Stocks	99.7%
Investment Companies	0.1%
Other	0.2%
	100.0%

Top Country Allocations - Long Positions - (% of Investment Securities)

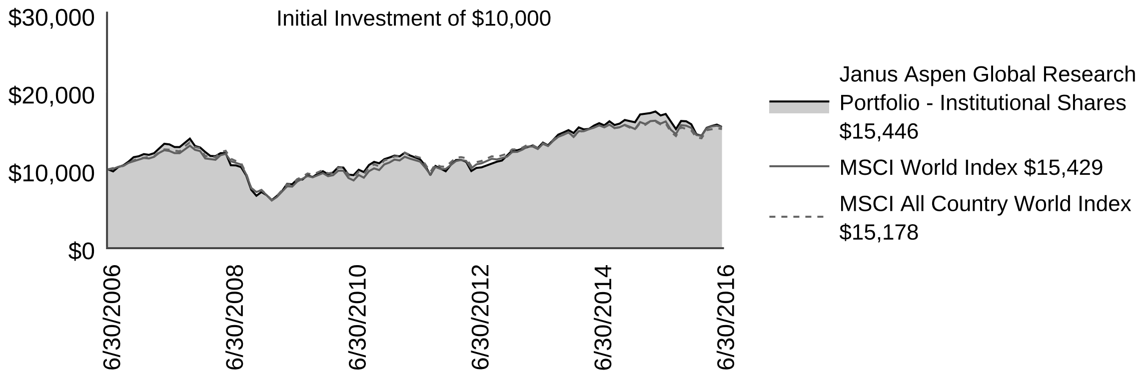
As of June 30, 2016



As of December 31, 2015



Janus Aspen Global Research Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2016						Expense Ratios - per the May 1, 2016 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	-2.18%	-8.74%	5.97%	4.44%	7.67%	0.85%
Service Shares	-2.31%	-8.96%	5.71%	4.18%	7.39%	1.10%
MSCI World Index	0.66%	-2.78%	6.63%	4.43%	6.41%	
MSCI All Country World Index	1.23%	-3.73%	5.38%	4.26%	N/A**	
Morningstar Quartile - Institutional Shares	-	4th	2nd	3rd	2nd	
Morningstar Ranking - based on total returns for World Stock Funds	-	924/1,163	346/834	305/596	102/233	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 877.33JANUS(52687) or visit janus.com/variable-insurance.

This Portfolio has a performance-based management fee that may adjust up or down based on the Portfolio's performance.

A Portfolio's performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a Portfolio may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each Portfolio has different risks. Please see a Janus prospectus for more information about risks, portfolio holdings and other details.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Returns shown would have been lower had they included insurance charges.

Returns include reinvestment of all dividends and distributions and do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares. The returns do not include adjustments in accordance with generally accepted accounting principles required at the period end for financial reporting purposes.

See Financial Highlights for actual expense ratios during the reporting period.

Performance for Service Shares prior to December 31, 1999 reflects the performance of Institutional Shares adjusted to reflect the expenses of Service Shares.

Ranking is for the share class shown only; other classes may have different performance characteristics.

See important disclosures on the next page.

Janus Aspen Global Research Portfolio (unaudited)
Performance

There is no assurance that the investment process will consistently lead to successful investing.

See Notes to Schedule of Investments and Other Information for index definitions.

A Portfolio's holdings may differ significantly from the securities held in an index. An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

See "Useful Information About Your Portfolio Report."

*The Portfolio's inception date – September 13, 1993

**Since inception return is not shown for the index because the index's inception date differs significantly from the Portfolio's inception date.

Janus Aspen Global Research Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual 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 example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these columns, 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 appropriate column for your share class under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio'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 Portfolio 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. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as any charges at the separate account level or contract level. These fees are fully described in the Portfolio's prospectuses. Therefore, the hypothetical examples are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Beginning Account Value (1/1/16)	Ending Account Value (6/30/16)	Expenses Paid During Period (1/1/16 - 6/30/16)†	Net Annualized Expense Ratio (1/1/16 - 6/30/16)
Institutional Shares	$1,000.00	$978.20	$3.25	$1,000.00	$1,021.58	$3.32	0.66%
Service Shares	$1,000.00	$976.90	$4.47	$1,000.00	$1,020.34	$4.57	0.91%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). Expenses in the examples include the effect of applicable fee waivers and/or expense reimbursements, if any. Had such waivers and/or reimbursements not been in effect, your expenses would have been higher. Please refer to the Notes to Financial Statements or the Portfolio's prospectuses for more information regarding waivers and/or reimbursements.

Janus Aspen Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – 99.7%		
Aerospace & Defense – 3.4%		
Honeywell International, Inc.	60,963	$7,091,216
Northrop Grumman Corp.	30,040	6,677,291
Safran SA	129,808	8,820,880
		22,589,387
Airlines – 0.7%		
United Continental Holdings, Inc.*	120,102	4,928,986
Auto Components – 0.9%		
NGK Spark Plug Co., Ltd.	377,700	5,683,885
Beverages – 3.6%		
Coca-Cola Co.	256,404	11,622,793
Pernod Ricard SA	49,815	5,547,979
SABMiller PLC	111,632	6,506,615
		23,677,387
Biotechnology – 4.1%		
Actelion, Ltd.*	20,717	3,477,309
Alder Biopharmaceuticals, Inc.*	70,278	1,754,842
Amgen, Inc.	57,095	8,687,004
Biogen, Inc.*	17,604	4,256,999
Celgene Corp.*	68,335	6,739,881
Ironwood Pharmaceuticals, Inc.*	180,954	2,365,974
		27,282,009
Building Products – 0.9%		
Geberit AG	16,026	6,055,761
Capital Markets – 2.3%		
BlackRock, Inc.	11,749	4,024,385
Blackstone Group LP	197,987	4,858,601
E*TRADE Financial Corp.*	171,233	4,022,263
UBS Group AG	195,337	2,528,165
		15,433,414
Chemicals – 2.4%		
Air Products & Chemicals, Inc.	53,853	7,649,280
Johnson Matthey PLC	75,534	2,858,797
PPG Industries, Inc.	49,195	5,123,659
		15,631,736
Commercial Banks – 4.7%		
BNP Paribas SA	89,528	4,024,435
HDFC Bank Limited-Foreign	179,327	3,634,304
ING Groep NV	377,898	3,927,254
JPMorgan Chase & Co.	88,446	5,496,034
Lloyds Banking Group PLC	6,466,831	4,754,399
Mitsubishi UFJ Financial Group, Inc.	1,162,300	5,181,508
US Bancorp	98,198	3,960,325
		30,978,259
Communications Equipment – 0.4%		
CommScope Holding Co., Inc.*	92,795	2,879,429
Construction Materials – 0.8%		
Vulcan Materials Co.	43,829	5,275,258
Consumer Finance – 1.6%		
American Express Co.	73,445	4,462,518
Synchrony Financial	251,169	6,349,552
		10,812,070
Containers & Packaging – 1.0%		
Crown Holdings, Inc.*	126,892	6,429,618
Diversified Financial Services – 1.6%		
Intercontinental Exchange, Inc.	23,253	5,951,838
S&P Global, Inc.	43,758	4,693,483
		10,645,321
Electric Utilities – 0.8%		
Brookfield Infrastructure Partners LP	119,689	5,417,124

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Electrical Equipment – 1.9%		
ABB, Ltd.*	440,802	$8,684,932
Sensata Technologies Holding NV*	115,430	4,027,353
		12,712,285
Electronic Equipment, Instruments & Components – 2.2%		
Amphenol Corp. - Class A	83,788	4,803,566
Keyence Corp.	14,200	9,578,619
		14,382,185
Energy Equipment & Services – 0.9%		
Halliburton Co.	131,565	5,958,579
Food & Staples Retailing – 1.2%		
Kroger Co.	215,803	7,939,392
Food Products – 2.1%		
Associated British Foods PLC	74,858	2,713,717
Hershey Co.	100,108	11,361,257
		14,074,974
Health Care Equipment & Supplies – 1.3%		
Boston Scientific Corp.*	362,062	8,461,389
Health Care Providers & Services – 2.8%		
Aetna, Inc.	74,060	9,044,948
Diplomat Pharmacy, Inc.*	99,751	3,491,285
Universal Health Services, Inc. - Class B	43,231	5,797,277
		18,333,510
Hotels, Restaurants & Leisure – 2.1%		
Galaxy Entertainment Group, Ltd.	508,000	1,513,653
Merlin Entertainments PLC	300,942	1,787,106
Norwegian Cruise Line Holdings, Ltd.*	72,551	2,890,432
Starbucks Corp.	135,860	7,760,323
		13,951,514
Household Durables – 0.5%		
Sony Corp.	103,300	3,023,628
Household Products – 0.8%		
Colgate-Palmolive Co.	75,087	5,496,368
Independent Power and Renewable Electricity Producers – 0.6%		
NRG Energy, Inc.	277,970	4,166,770
Industrial Conglomerates – 0.3%		
Seibu Holdings, Inc.	99,200	1,675,159
Information Technology Services – 3.9%		
Amdocs, Ltd. (U.S. Shares)	38,621	2,229,204
Cognizant Technology Solutions Corp. - Class A*	43,207	2,473,169
InterXion Holding NV*	49,212	1,814,939
MasterCard, Inc. - Class A	83,312	7,336,455
Visa, Inc. - Class A	92,077	6,829,351
Worldpay Group PLC*	1,317,028	4,792,988
		25,476,106
Insurance – 2.6%		
AIA Group, Ltd.	2,204,000	13,281,506
Prudential PLC	225,703	3,844,335
		17,125,841
Internet & Catalog Retail – 1.7%		
Amazon.com, Inc.*	8,204	5,870,947
Ctrip.com International, Ltd. (ADR)*	44,664	1,840,157
Priceline Group, Inc.*	3,006	3,752,720
		11,463,824
Internet Software & Services – 4.3%		
Alibaba Group Holding, Ltd. (ADR)*	47,256	3,758,270
Alphabet, Inc. - Class C*	20,730	14,347,233
CoStar Group, Inc.*	12,861	2,812,186
Facebook, Inc. - Class A*	66,844	7,638,932
		28,556,621

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Leisure Products – 0.9%		
Mattel, Inc.	65,175	$2,039,326
Polaris Industries, Inc.	47,060	3,847,626
		5,886,952
Machinery – 1.3%		
Dover Corp.	48,501	3,362,089
IMI PLC	231,128	2,986,098
Rexnord Corp.*	106,639	2,093,324
		8,441,511
Media – 2.3%		
Comcast Corp. - Class A	97,183	6,335,360
Liberty Global PLC - Class C*	158,032	4,527,617
Liberty Global PLC LiLAC*	17,410	565,651
Walt Disney Co.	40,186	3,930,995
		15,359,623
Multiline Retail – 0.6%		
Dollar Tree, Inc.*	44,718	4,214,224
Multi-Utilities – 1.4%		
National Grid PLC	613,045	9,013,499
Oil, Gas & Consumable Fuels – 6.8%		
Anadarko Petroleum Corp.	103,584	5,515,848
Canadian Natural Resources, Ltd.	158,635	4,894,868
Chevron Corp.	83,603	8,764,103
Enterprise Products Partners LP	392,112	11,473,197
MEG Energy Corp.*	231,876	1,215,204
Phillips 66	20,908	1,658,841
Total SA	237,947	11,472,600
		44,994,661
Personal Products – 0.3%		
Estee Lauder Cos., Inc. - Class A	22,645	2,061,148
Pharmaceuticals – 5.7%		
Bristol-Myers Squibb Co.	48,372	3,557,761
Eli Lilly & Co.	43,432	3,420,270
Indivior PLC	1,007,821	3,391,226
Mallinckrodt PLC*	72,531	4,408,434
Pfizer, Inc.	304,599	10,724,931
Sanofi	46,450	3,903,945
Shire PLC	73,631	4,533,337
Teva Pharmaceutical Industries, Ltd. (ADR)	78,775	3,956,868
		37,896,772
Professional Services – 0.9%		
Verisk Analytics, Inc.*	73,147	5,930,759
Real Estate Investment Trusts (REITs) – 1.7%		
American Tower Corp.	45,182	5,133,127
Simon Property Group, Inc.	27,974	6,067,561
		11,200,688
Real Estate Management & Development – 1.5%		
Brookfield Asset Management, Inc. - Class A (U.S. Shares)	139,119	4,600,665
Jones Lang LaSalle, Inc.	51,116	4,981,254
		9,581,919
Road & Rail – 1.3%		
Canadian Pacific Railway, Ltd.	66,716	8,590,240
Semiconductor & Semiconductor Equipment – 2.9%		
ARM Holdings PLC	339,007	5,133,656
Broadcom, Ltd.	23,268	3,615,847
NXP Semiconductors NV*	40,494	3,172,300
Taiwan Semiconductor Manufacturing Co., Ltd.	1,385,000	7,003,562
		18,925,365
Software – 3.5%		
Activision Blizzard, Inc.	61,356	2,431,538

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2016

	Shares	Value
Common Stocks – (continued)		
Software – (continued)		
Adobe Systems, Inc.*	37,001	$3,544,326
Constellation Software, Inc.	6,913	2,675,777
NetSuite, Inc.*	30,512	2,221,274
Nintendo Co., Ltd.	7,100	1,013,212
Salesforce.com, Inc.*	28,732	2,281,608
SS&C Technologies Holdings, Inc.	176,326	4,951,234
Ultimate Software Group, Inc.*	18,851	3,964,177
		23,083,146
Specialty Retail – 1.7%		
L'Occitane International SA	2,153,975	4,404,178
Lowe's Cos., Inc.	82,560	6,536,275
		10,940,453
Technology Hardware, Storage & Peripherals – 2.0%		
Apple, Inc.	61,652	5,893,931
Samsung Electronics Co., Ltd.	5,938	7,393,576
		13,287,507
Textiles, Apparel & Luxury Goods – 2.5%		
Cie Financiere Richemont SA	35,708	2,095,455
Gildan Activewear, Inc.	164,617	4,828,217
NIKE, Inc. - Class B	85,681	4,729,591
Samsonite International SA	1,643,619	4,555,855
		16,209,118
Thrifts & Mortgage Finance – 0.2%		
MGIC Investment Corp.*	217,435	1,293,738
Tobacco – 0.8%		
British American Tobacco PLC	81,105	5,276,584
Trading Companies & Distributors – 1.3%		
Brenntag AG	175,346	8,472,356
Wireless Telecommunication Services – 1.7%		
T-Mobile US, Inc.*	122,240	5,289,325
Tower Bersama Infrastructure Tbk PT	3,446,200	1,717,093
Vodafone Group PLC	1,352,447	4,116,361
		11,122,779
Total Common Stocks (cost $596,228,099)		658,300,831
Investment Companies – 0.1%		
Money Markets – 0.1%		
Janus Cash Liquidity Fund LLC, 0.4506%[°°,£] (cost $895,000)	895,000	895,000
Total Investments (total cost $597,123,099) – 99.8%		659,195,831
Cash, Receivables and Other Assets, net of Liabilities – 0.2%		1,188,706
Net Assets – 100%		$660,384,537

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2016

Summary of Investments by Country - (Long Positions) (unaudited)

Country	*Value*	*% of Investment Securities*
United States	$412,051,675	62.5 %
United Kingdom	61,708,718	9.4
France	38,174,017	5.8
Canada	32,222,095	4.9
Japan	26,156,011	4.0
Switzerland	22,841,622	3.5
Hong Kong	19,351,014	2.9
Netherlands	8,914,493	1.3
Germany	8,472,356	1.3
South Korea	7,393,576	1.1
Taiwan	7,003,562	1.1
China	5,598,427	0.8
Israel	3,956,868	0.6
India	3,634,304	0.5
Indonesia	1,717,093	0.3
Total	$659,195,831	100.0 %

See Notes to Schedule of Investments and Other Information and Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

MSCI All Country World Index[SM]	An unmanaged, free float-adjusted market capitalization weighted index composed of stocks of companies located in countries throughout the world. It is designed to measure equity market performance in global developed and emerging markets. The index includes reinvestment of dividends, net of foreign withholding taxes.
MSCI World Index[SM]	A market capitalization weighted index composed of companies representative of the market structure of Developed Market countries in North America, Europe and the Asia/Pacific Region. The index includes reinvestment of dividends, net of foreign withholding taxes.
ADR	American Depositary Receipt
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company
U.S. Shares	Securities of foreign companies trading on an American stock exchange.

* Non-income producing security.

ºº Rate shown is the 7-day yield as of June 30, 2016.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the period ended June 30, 2016. Unless otherwise indicated, all information in the table is for the period ended June 30, 2016.

	Share Balance at 12/31/15	*Purchases*	*Sales*	*Share Balance at 6/30/16*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/16*
Janus Cash Collateral Fund LLC	1,880,835	21,624,975	(23,505,810)	—	$—	$41,812(1)	$—
Janus Cash Liquidity Fund LLC	1,804,000	26,011,420	(26,920,420)	895,000	—	1,389	895,000
Total					$—	$43,201	$895,000

(1) Net of income paid to the securities lending agent and rebates paid to the borrowing counterparties.

Janus Aspen Global Research Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of June 30, 2016. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quoted Prices	*Level 2 - Other Significant Observable Inputs*	*Level 3 - Significant Unobservable Inputs*
Assets			
Investments in Securities:			
Common Stocks			
Aerospace & Defense	$ 13,768,507	$ 8,820,880	$ -
Auto Components	-	5,683,885	-
Beverages	11,622,793	12,054,594	-
Biotechnology	23,804,700	3,477,309	-
Building Products	-	6,055,761	-
Capital Markets	12,905,249	2,528,165	-
Chemicals	12,772,939	2,858,797	-
Commercial Banks	9,456,359	21,521,900	-
Electrical Equipment	4,027,353	8,684,932	-
Electronic Equipment, Instruments & Components	4,803,566	9,578,619	-
Food Products	11,361,257	2,713,717	-
Hotels, Restaurants & Leisure	10,650,755	3,300,759	-
Household Durables	-	3,023,628	-
Industrial Conglomerates	-	1,675,159	-
Information Technology Services	20,683,118	4,792,988	-
Insurance	-	17,125,841	-
Machinery	5,455,413	2,986,098	-
Multi-Utilities	-	9,013,499	-
Oil, Gas & Consumable Fuels	33,522,061	11,472,600	-
Pharmaceuticals	26,068,264	11,828,508	-
Semiconductor & Semiconductor Equipment	6,788,147	12,137,218	-
Software	22,069,934	1,013,212	-
Specialty Retail	6,536,275	4,404,178	-
Technology Hardware, Storage & Peripherals	5,893,931	7,393,576	-
Textiles, Apparel & Luxury Goods	9,557,808	6,651,310	-
Tobacco	-	5,276,584	-
Trading Companies & Distributors	-	8,472,356	-
Wireless Telecommunication Services	5,289,325	5,833,454	-
All Other	200,883,550	-	-
Investment Companies	-	895,000	-
Total Assets	$ 457,921,304	$ 201,274,527	$ -

Janus Aspen Global Research Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2016

Assets:		
Investments, at cost	$	597,123,099
Unaffiliated investments, at value		658,300,831
Affiliated investments, at value		895,000
Cash denominated in foreign currency(1)		98,609
Non-interested Trustees' deferred compensation		11,951
Receivables:		
Investments sold		3,399,604
Dividends		1,252,714
Foreign tax reclaims		515,937
Portfolio shares sold		111,924
Other assets		5,713
Total Assets		664,592,283
Liabilities:		
Due to custodian		2,060
Payables:		
Investments purchased		3,097,089
Portfolio shares repurchased		441,898
Advisory fees		322,026
Proxy fee payable		79,728
12b-1 Distribution and shareholder servicing fees		38,690
Transfer agent fees and expenses		28,001
Professional fees		15,687
Non-interested Trustees' deferred compensation fees		11,951
Portfolio administration fees		5,224
Non-interested Trustees' fees and expenses		4,572
Custodian fees		497
Accrued expenses and other payables		160,323
Total Liabilities		4,207,746
Net Assets	$	660,384,537
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	746,464,599
Undistributed net investment income/(loss)		2,820,238
Undistributed net realized gain/(loss) from investments and foreign currency transactions		(150,873,317)
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		61,973,017
Total Net Assets	$	660,384,537
Net Assets - Institutional Shares	$	474,808,728
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		12,155,129
Net Asset Value Per Share	$	39.06
Net Assets - Service Shares	$	185,575,809
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		4,838,722
Net Asset Value Per Share	$	38.35

(1) Includes cost of $98,609.

See Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2016

Investment Income:		
Dividends	$	7,529,205
Affiliated securities lending income, net		41,812
Dividends from affiliates		1,389
Other income		34
Foreign tax withheld		(351,192)
Total Investment Income		7,221,248
Expenses:		
Advisory fees		1,857,671
12b-1Distribution and shareholder servicing fees:		
Service Shares		228,055
Transfer agent administrative fees and expenses:		
Institutional Shares		40,132
Service Shares		15,740
Other transfer agent fees and expenses:		
Institutional Shares		2,778
Service Shares		868
Shareholder reports expense		55,633
Portfolio administration fees		26,547
Professional fees		20,625
Registration fees		17,694
Custodian fees		17,676
Non-interested Trustees' fees and expenses		9,730
Other expenses		105,073
Total Expenses		2,398,222
Net Investment Income/(Loss)		4,823,026
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		(22,394,554)
Total Net Realized Gain/(Loss) on Investments		(22,394,554)
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		903,964
Total Change in Unrealized Net Appreciation/Depreciation		903,964
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	(16,667,564)

See Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Statements of Changes in Net Assets

		Period ended June 30, 2016 (unaudited)		*Year ended December 31, 2015*
Operations:				
Net investment income/(loss)	$	4,823,026	$	5,879,567
Net realized gain/(loss) on investments		(22,394,554)		30,643,198
Change in unrealized net appreciation/depreciation		903,964		(52,647,904)
Net Increase/(Decrease) in Net Assets Resulting from Operations		(16,667,564)		(16,125,139)
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(3,720,483)		(3,640,735)
Service Shares		(1,306,146)		(1,154,292)
Net Decrease from Dividends and Distributions to Shareholders		(5,026,629)		(4,795,027)
Capital Share Transactions:				
Institutional Shares		(19,318,345)		(47,348,888)
Service Shares		(10,992,766)		(4,825,171)
Net Increase/(Decrease) from Capital Share Transactions		(30,311,111)		(52,174,059)
Net Increase/(Decrease) in Net Assets		(52,005,304)		(73,094,225)
Net Assets:				
Beginning of period		712,389,841		785,484,066
End of period	$	660,384,537	$	712,389,841
Undistributed Net Investment Income/(Loss)	$	2,820,238	$	3,023,841

See Notes to Financial Statements.

Janus Aspen Global Research Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$40.24	$41.45	$38.99	$30.74	$25.83	$30.13
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.29(1)	0.35(1)	0.51(1)	0.38	0.37	0.31
Net realized and unrealized gain/(loss)	(1.16)	(1.28)	2.39	8.29	4.79	(4.44)
Total from Investment Operations	(0.87)	(0.93)	2.90	8.67	5.16	(4.13)
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.31)	(0.28)	(0.44)	(0.42)	(0.25)	(0.17)
Distributions (from capital gains)	—	—	—	—	—	—
Total Dividends and Distributions	(0.31)	(0.28)	(0.44)	(0.42)	(0.25)	(0.17)
Net Asset Value, End of Period	$39.06	$40.24	$41.45	$38.99	$30.74	$25.83
Total Return*	(2.18)%	(2.29)%	7.44%	28.43%	20.08%	(13.74)%
Net Assets, End of Period (in thousands)	$474,809	$509,494	$571,145	$588,619	$516,001	$490,539
Average Net Assets for the Period (in thousands)	$474,196	$560,660	$577,941	$550,131	$505,342	$587,144
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.66%	0.80%	0.61%	0.53%	0.55%	0.70%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.66%	0.80%	0.61%	0.53%	0.55%	0.70%
Ratio of Net Investment Income/(Loss)	1.54%	0.83%	1.27%	0.99%	1.19%	1.05%
Portfolio Turnover Rate	22%	50%	42%	101%	56%	88%

Service Shares

For a share outstanding during the period ended June 30, 2016 (unaudited) and each year ended December 31	2016	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$39.53	$40.77	$38.40	$30.31	$25.51	$29.80
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.24(1)	0.24(1)	0.40(1)	0.25	0.23	0.19
Net realized and unrealized gain/(loss)	(1.15)	(1.26)	2.35	8.22	4.79	(4.34)
Total from Investment Operations	(0.91)	(1.02)	2.75	8.47	5.02	(4.15)
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.27)	(0.22)	(0.38)	(0.38)	(0.22)	(0.14)
Distributions (from capital gains)	—	—	—	—	—	—
Total Dividends and Distributions	(0.27)	(0.22)	(0.38)	(0.38)	(0.22)	(0.14)
Net Asset Value, End of Period	$38.35	$39.53	$40.77	$38.40	$30.31	$25.51
Total Return*	(2.31)%	(2.53)%	7.18%	28.12%	19.77%	(13.95)%
Net Assets, End of Period (in thousands)	$185,576	$202,896	$214,339	$202,707	$156,774	$140,029
Average Net Assets for the Period (in thousands)	$186,819	$218,006	$209,230	$181,844	$149,451	$165,580
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.91%	1.05%	0.86%	0.78%	0.80%	0.95%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.91%	1.05%	0.86%	0.78%	0.80%	0.95%
Ratio of Net Investment Income/(Loss)	1.29%	0.57%	1.01%	0.75%	0.94%	0.81%
Portfolio Turnover Rate	22%	50%	42%	101%	56%	88%

* Total return not annualized for periods of less than one full year.
** Annualized for periods of less than one full year.
(1) Per share amounts are calculated based on average shares outstanding during the year or period.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Aspen Global Research Portfolio (the "Portfolio") is a series fund. The Portfolio is part of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers twelve portfolios which include multiple series of shares, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as diversified, as defined in the 1940 Act.

The Portfolio currently offers two classes of shares: Institutional Shares and Service Shares. Each class represents an interest in the same portfolio of investments. Institutional Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans. Service Shares are offered only in connection with investment in and payments under variable insurance contracts as well as certain qualified retirement plans that require a fee from Portfolio assets to procure distribution and administrative services to contract owners and plan participants.

Shareholders, including other portfolios, participating insurance companies, as well as accounts, may from time to time own (beneficially or of record) a significant percentage of the Portfolio's Shares and can be considered to "control" the Portfolio when that ownership exceeds 25% of the Portfolio's assets (and which may differ from control as determined in accordance with accounting principles generally accepted in the United States of America).

The following accounting policies have been followed by the Portfolio and are in conformity with accounting principles generally accepted in the United States of America.

Investment Valuation

Securities held by the Portfolio are valued in accordance with policies and procedures established by and under the supervision of the Trustees (the "Valuation Procedures"). Equity securities traded on a domestic securities exchange are generally valued at the closing prices on the primary market or exchange on which they trade. If such price is lacking for the trading period immediately preceding the time of determination, such securities are valued at their current bid price. Equity securities that are traded on a foreign exchange are generally valued at the closing prices on such markets. In the event that there is no current trading volume on a particular security in such foreign exchange, the bid price from the primary exchange is generally used to value the security. Securities that are traded on the over-the-counter ("OTC") markets are generally valued at their closing or latest bid prices as available. Foreign securities and currencies are converted to U.S. dollars using the applicable exchange rate in effect at the close of the New York Stock Exchange ("NYSE"). The Portfolio will determine the market value of individual securities held by it by using prices provided by one or more approved professional pricing services or, as needed, by obtaining market quotations from independent broker-dealers. Most debt securities are valued in accordance with the evaluated bid price supplied by the pricing service that is intended to reflect market value. The evaluated bid price supplied by the pricing service is an evaluation that may consider factors such as security prices, yields, maturities and ratings. Certain short-term securities maturing within 60 days or less may be evaluated and valued on an amortized cost basis provided that the amortized cost determined approximates market value. Securities for which market quotations or evaluated prices are not readily available or deemed unreliable are valued at fair value determined in good faith under the Valuation Procedures. Circumstances in which fair value pricing may be utilized include, but are not limited to: (i) a significant event that may affect the securities of a single issuer, such as a merger, bankruptcy, or significant issuer-specific development; (ii) an event that may affect an entire market, such as a natural disaster or significant governmental action; (iii) a nonsignificant event such as a market closing early or not opening, or a security trading halt; and (iv) pricing of a nonvalued security and a restricted or nonpublic security. Special valuation considerations may apply with respect to "odd-lot" fixed-income transactions which, due to their small size, may receive evaluated prices by pricing services which reflect a large block trade and not what actually could be obtained for the odd-lot position. The Portfolio uses systematic fair valuation models provided by independent third parties to value international equity securities in order to adjust for stale pricing, which may occur between the close of certain foreign exchanges and the close of the NYSE.

Valuation Inputs Summary

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that

market participants would use in pricing an asset or liability and establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. These inputs are summarized into three broad levels:

Level 1 – Unadjusted quoted prices in active markets the Portfolio has the ability to access for identical assets or liabilities.

Level 2 – Observable inputs other than unadjusted quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Assets or liabilities categorized as Level 2 in the hierarchy generally include: debt securities fair valued in accordance with the evaluated bid or ask prices supplied by a pricing service; securities traded on OTC markets and listed securities for which no sales are reported that are fair valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers transacting in a market for such securities or by a pricing service approved by the Portfolio's Trustees; certain short-term debt securities with maturities of 60 days or less that are fair valued at amortized cost; and equity securities of foreign issuers whose fair value is determined by using systematic fair valuation models provided by independent third parties in order to adjust for stale pricing which may occur between the close of certain foreign exchanges and the close of the NYSE. Other securities that may be categorized as Level 2 in the hierarchy include, but are not limited to, preferred stocks, bank loans, swaps, investments in unregistered investment companies, options, and forward contracts.

Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Portfolio's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Portfolio since the beginning of the fiscal year.

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2016 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

The Portfolio recognizes transfers between the levels as of the beginning of the fiscal year. The following describes the amounts of transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period.

Financial assets of $183,686,277 were transferred out of Level 1 to Level 2 since certain foreign equity prices were applied a fair valuation adjustment factor at the end of the current period and no factor was applied at the end of the prior fiscal year.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Portfolio is informed of the dividend, if such information is obtained subsequent to the ex-dividend date. Dividends from foreign securities may be subject to withholding taxes in foreign jurisdictions. Interest income is recorded on the accrual basis and includes amortization of premiums and accretion of discounts. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income, as well as gains and losses, both realized and unrealized, are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

Expenses

The Portfolio bears expenses incurred specifically on its behalf. Each class of shares bears a portion of general expenses, which are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and

liabilities and disclosure of contingent 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.

Indemnifications
In the normal course of business, the Portfolio may enter into contracts that contain provisions for indemnification of other parties against certain potential liabilities. The Portfolio's maximum exposure under these arrangements is unknown, and would involve future claims that may be made against the Portfolio that have not yet occurred. Currently, the risk of material loss from such claims is considered remote.

Foreign Currency Translations
The Portfolio does not isolate that portion of the results of operations resulting from the effect of changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at the date of the financial statements. Net unrealized appreciation or depreciation of investments and foreign currency translations arise from changes in the value of assets and liabilities, including investments in securities held at the date of the financial statements, resulting from changes in the exchange rates and changes in market prices of securities held.

Currency gains and losses are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to foreign security transactions and income translations.

Foreign currency-denominated assets and forward currency contracts may involve more risks than domestic transactions, including currency risk, counterparty risk, political and economic risk, regulatory risk and equity risk. Risks may arise from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

Dividends and Distributions
The Portfolio may make semiannual distributions of substantially all of its investment income and an annual distribution of its net realized capital gains (if any).

The Portfolio may make certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon funds available from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. If the Portfolio distributes such amounts, such distributions could constitute a return of capital to shareholders for federal income tax purposes.

Federal Income Taxes
The Portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income in accordance with the requirements of Subchapter M of the Internal Revenue Code. Management has analyzed the Portfolio's tax positions taken for all open federal income tax years, generally a three-year period, and has concluded that no provision for federal income tax is required in the Portfolio's financial statements. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

2. Other Investments and Strategies

Additional Investment Risk
The financial crisis in both the U.S. and global economies over the past several years has resulted, and may continue to result, in a significant decline in the value and liquidity of many securities of issuers worldwide in the equity and fixed-income/credit markets. In response to the crisis, the United States and certain foreign governments, along with the U.S. Federal Reserve and certain foreign central banks, took steps to support the financial markets. The withdrawal of this support, a failure of measures put in place to respond to the crisis, or investor perception that such efforts were not sufficient could each negatively affect financial markets generally, and the value and liquidity of specific securities. In addition, policy and legislative changes in the United States and in other countries continue to impact many aspects of financial regulation. The effect of these changes on the markets, and the practical implications for market participants, including the Portfolio, may not be fully known for some time. As a result, it may also be unusually difficult to identify both investment risks and opportunities, which could limit or preclude the Portfolio's ability to achieve its investment objective. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

A number of countries in the European Union (“EU”) have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit. As a result, financial markets in the EU experienced extreme volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom voted to exit the EU (known as “Brexit”). One or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

Certain areas of the world have historically been prone to and economically sensitive to environmental events such as, but not limited to, hurricanes, earthquakes, typhoons, flooding, tidal waves, tsunamis, erupting volcanoes, wildfires or droughts, tornadoes, mudslides, or other weather-related phenomena. Such disasters, and the resulting physical or economic damage, could have a severe and negative impact on the Portfolio’s investment portfolio and, in the longer term, could impair the ability of issuers in which the Portfolio invests to conduct their businesses as they would under normal conditions. Adverse weather conditions may also have a particularly significant negative effect on issuers in the agricultural sector and on insurance companies that insure against the impact of natural disasters.

Counterparties

Portfolio transactions involving a counterparty are subject to the risk that the counterparty or a third party will not fulfill its obligation to the Portfolio (“counterparty risk”). Counterparty risk may arise because of the counterparty’s financial condition (i.e., financial difficulties, bankruptcy, or insolvency), market activities and developments, or other reasons, whether foreseen or not. A counterparty’s inability to fulfill its obligation may result in significant financial loss to the Portfolio. The Portfolio may be unable to recover its investment from the counterparty or may obtain a limited recovery, and/or recovery may be delayed. The extent of the Portfolio’s exposure to counterparty risk with respect to financial assets and liabilities approximates its carrying value. See the "Offsetting Assets and Liabilities" section of this Note for further details.

The Portfolio may be exposed to counterparty risk through participation in various programs, including, but not limited to, lending its securities to third parties, cash sweep arrangements whereby the Portfolio’s cash balance is invested in one or more types of cash management vehicles, as well as investments in, but not limited to, repurchase agreements, debt securities, and derivatives, including various types of swaps, futures and options. The Portfolio intends to enter into financial transactions with counterparties that Janus Capital believes to be creditworthy at the time of the transaction. There is always the risk that Janus Capital’s analysis of a counterparty’s creditworthiness is incorrect or may change due to market conditions. To the extent that the Portfolio focuses its transactions with a limited number of counterparties, it will have greater exposure to the risks associated with one or more counterparties.

Real Estate Investing

The Portfolio may invest in equity and debt securities of real estate-related companies. Such companies may include those in the real estate industry or real estate-related industries. These securities may include common stocks, corporate bonds, preferred stocks, and other equity securities, including, but not limited to, mortgage-backed securities, real estate-backed securities, securities of REITs and similar REIT-like entities. A REIT is a trust that invests in real estate-related projects, such as properties, mortgage loans, and construction loans. REITs are generally categorized as equity, mortgage, or hybrid REITs. A REIT may be listed on an exchange or traded OTC.

Securities Lending

Under procedures adopted by the Trustees, the Portfolio may seek to earn additional income by lending securities to qualified parties. Deutsche Bank AG acts as securities lending agent and a limited purpose custodian or subcustodian to receive and disburse cash balances and cash collateral, hold short-term investments, hold collateral, and perform other custodian functions. The Portfolio may lend portfolio securities in an amount equal to up to 1/3 of its total assets as determined at the time of the loan origination. There is the risk of delay in recovering a loaned security or the risk of loss in collateral rights if the borrower fails financially. In addition, Janus Capital makes efforts to balance the benefits and risks from granting such loans. All loans will be continuously secured by collateral which may consist of cash, U.S. Government securities, domestic and foreign short-term debt instruments, letters of credit, time deposits, repurchase agreements, money market mutual funds or other money market accounts, or such other collateral as permitted by the SEC. If the Portfolio is unable to recover a security on loan, the Portfolio may use the collateral to purchase replacement securities in the market. There is a risk that the value of the collateral could decrease below the cost of the replacement security by the time the replacement investment is made, resulting in a loss to the Portfolio.

Upon receipt of cash collateral, Janus Capital may invest it in affiliated or non-affiliated cash management vehicles, whether registered or unregistered entities, as permitted by the 1940 Act and rules promulgated thereunder. Janus Capital currently intends to invest the cash collateral in a cash management vehicle for which Janus Capital serves as investment adviser, Janus Cash Collateral Fund LLC. An investment in Janus Cash Collateral Fund LLC is generally subject to the same risks that shareholders experience when investing in similarly structured vehicles, such as the potential for significant fluctuations in assets as a result of the purchase and redemption activity of the securities lending program, a decline in the value of the collateral, and possible liquidity issues. Such risks may delay the return of the cash collateral and cause the Portfolio to violate its agreement to return the cash collateral to a borrower in a timely manner. As adviser to the Portfolio and Janus Cash Collateral Fund LLC, Janus Capital has an inherent conflict of interest as a result of its fiduciary duties to both the Portfolio and Janus Cash Collateral Fund LLC. Additionally, Janus Capital receives an investment advisory fee of 0.05% for managing Janus Cash Collateral Fund LLC, but it may not receive a fee for managing certain other affiliated cash management vehicles in which the Portfolio may invest, and therefore may have an incentive to allocate preferred investment opportunities to investment vehicles for which it is receiving a fee.

The value of the collateral must be at least 102% of the market value of the loaned securities that are denominated in U.S. dollars and 105% of the market value of the loaned securities that are not denominated in U.S. dollars. Loaned securities and related collateral are marked-to-market each business day based upon the market value of the loaned securities at the close of business, employing the most recent available pricing information. Collateral levels are then adjusted based on this mark-to-market evaluation.

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments. Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as “Affiliated securities lending income, net” on the Statement of Operations.There were no securities on loan as of June 30, 2016.

3. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio’s "base" fee rate prior to any performance adjustment (expressed as an annual rate) is 0.60%.

The investment advisory fee rate is determined by calculating a base fee and applying a performance adjustment. The base fee rate is the same as the contractual investment advisory fee rate. The performance adjustment either increases or decreases the base fee depending on how well the Portfolio has performed relative to its benchmark index. The Portfolio's benchmark index used in the calculation is the MSCI World Index^{SM}.

The calculation of the performance adjustment applies as follows:

Investment Advisory Fee = Base Fee Rate +/- Performance Adjustment

The investment advisory fee rate paid to Janus Capital by the Portfolio consists of two components: (1) a base fee calculated by applying the contractual fixed rate of the advisory fee to the Portfolio's average daily net assets during the previous month ("Base Fee Rate"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.15% (positive or negative) to the Portfolio's average daily net assets during the applicable performance measurement period, which is generally the previous 36 months.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the period ended June 30, 2016, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.57%.

Janus Services LLC ("Janus Services"), a wholly-owned subsidiary of Janus Capital, is the Portfolio's transfer agent. Effective May 1, 2016, Janus Services receives an administrative services fee at an annual rate of 0.05% of the average daily net assets of the Portfolio for arranging for the provision by participating insurance companies and qualified plan service providers of administrative services, including recordkeeping, subaccounting, order processing, or other shareholder services provided on behalf of contract holders or plan participants investing in the Portfolio. Other shareholder services may include the provision of order confirmations, periodic account statements, forwarding prospectuses, shareholder reports, and other materials to existing investors, and answering inquiries regarding accounts. Janus Services expects to use this entire fee to compensate insurance companies and qualified plan service providers for providing these services to their customers who invest in the Portfolio. Any unused portion will be reimbursed to the applicable share class at least annually.

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services related to the shares, except for out-of-pocket costs. These amounts are disclosed as "Other transfer agent fees and expenses" on the Statement of Operations.

Under a distribution and shareholder servicing plan (the "Plan") adopted in accordance with Rule 12b-1 under the 1940 Act, the Service Shares may pay the Trust's distributor, Janus Distributors LLC ("Janus Distributors"), a wholly-owned subsidiary of Janus Capital, a fee for the sale and distribution and/or shareholder servicing of the Service Shares at an annual rate of up to 0.25% of the average daily net assets of the Service Shares. Under the terms of the Plan, the Trust is authorized to make payments to Janus Distributors for remittance to insurance companies and qualified plan service providers as compensation for distribution and/or shareholder services performed by such entities. These amounts are disclosed as "12b-1 Distribution and shareholder servicing fees" on the Statement of Operations. Payments under the Plan are not tied exclusively to actual 12b-1 distribution and servicing fees, and the payments may exceed 12b-1 distribution and servicing fees actually incurred. If any of the Portfolio's actual 12b-1 distribution and servicing fees incurred during a calendar year are less than the payments made during a calendar year, the Portfolio will be refunded the difference. Refunds, if any, are included in "12b-1 Distribution fees and shareholder servicing fees" in the Statement of Operations.

Janus Capital furnishes certain administration, compliance, and accounting services for the Portfolio and is reimbursed by the Portfolio for certain of its costs in providing those services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). In addition, employees of Janus Capital and/or its affiliates may serve as officers of the Trust. The Portfolio also pays for salaries, fees, and expenses of certain Janus Capital employees and Portfolio officers, with respect to certain specified administration functions they perform on behalf of the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and compliance staff are shared with the Portfolio. Total compensation of $28,304 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2016. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2016 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the period ended June 30, 2016 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $20,150 were paid by the Trust to a Trustee under the Deferred Plan during the period ended June 30, 2016.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or nonaffiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or nonaffiliated money market funds or cash management pooled investment vehicles. The Portfolio is eligible to participate in the cash sweep program (the "Investing Funds"). As adviser, Janus Capital has an inherent conflict of interest because of its fiduciary duties to the affiliated money market funds or cash management pooled investment vehicles and the Investing Funds. Janus Cash Liquidity Fund LLC is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. Janus Cash Liquidity Fund LLC currently maintains a NAV of $1.00 per share and distributes income daily in a manner consistent with a registered product compliant with Rule 2a-7 under the 1940 Act. There are no restrictions on the Portfolio's ability to withdraw investments from Janus Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Cash Liquidity Fund LLC. The units of Janus Cash Liquidity Fund LLC are not charged any management fee, sales charge or service fee.

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the period ended June 30, 2016 can be found in a table located in the Notes to Schedule of Investments and Other Information.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital Management LLC in accordance with Rule 17a-7 under the Investment Company Act of 1940 ("Rule 17a-7"), when the transaction is consistent with the investment objectives and policies of the Portfolio and in accordance with the Internal Cross Trade Procedures adopted by the Trust's Board of Trustees. These procedures have been designed to ensure that any cross-trade of securities by the Portfolio from or to another fund or account that is or could be considered an affiliate of the Portfolio under certain limited circumstances by virtue of having a common investment adviser, common Officer, or common Trustee complies with Rule 17a-7. Under these procedures, each cross-trade is effected at the current market price to save costs where allowed. During the period ended June 30, 2016, the Portfolio engaged in cross trades amounting to $78,788 in purchases and $767,791 in sales, resulting in a net realized gain of $5,899. The net realized gain is included in "Investments and foreign currency transactions" within the "Net Realized and Unrealized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

4. Federal Income Tax

Income and capital gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, net investment losses, and capital loss carryovers.

The Portfolio has elected to treat gains and losses on forward foreign currency contracts as capital gains and losses, if applicable. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2016 are noted below.

Unrealized appreciation and unrealized depreciation in the table below exclude appreciation/depreciation on foreign currency translations. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals, investments in partnerships and investments in passive foreign investment companies.

Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Tax Appreciation/ (Depreciation)
$ 596,889,162	$108,260,801	$(45,954,132)	$ 62,306,669

Accumulated capital losses noted below represent net capital loss carryovers, as of December 31, 2015, that may be available to offset future realized capital gains and thereby reduce future taxable gains distributions. Under the Regulated Investment Company Modernization Act of 2010, the Portfolio is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, preenactment capital loss carryforwards may more likely expire unused. Also, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.The following table shows these capital loss carryovers.

Capital Loss Carryover Schedule
For the year ended December 31, 2015

December 31, 2017	Accumulated Capital Losses
$ (127,994,150)	$ (127,994,150)

5. Capital Share Transactions

	Period ended June 30, 2016		Year ended December 31, 2015	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	114,214	$ 4,357,509	345,913	$ 14,870,432
Reinvested dividends and distributions	94,189	3,720,483	84,766	3,640,735
Shares repurchased	(714,248)	(27,396,337)	(1,548,262)	(65,860,055)
Net Increase/(Decrease)	(505,845)	$(19,318,345)	(1,117,583)	$(47,348,888)
Service Shares:				
Shares sold	179,980	$ 6,756,091	758,532	$ 32,048,121
Reinvested dividends and distributions	33,672	1,306,146	27,329	1,154,292
Shares repurchased	(508,118)	(19,055,003)	(910,448)	(38,027,584)
Net Increase/(Decrease)	(294,466)	$(10,992,766)	(124,587)	$ (4,825,171)

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2016, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, and in-kind transactions) was as follows:

Purchases of Securities	Proceeds from Sales of Securities	Purchases of Long-Term U.S. Government Obligations	Proceeds from Sales of Long-Term U.S. Government Obligations
$147,957,987	$ 177,667,202	$ -	$ -

7. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2016 and through the date of issuance of the Portfolio’s financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio’s financial statements.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-0020 (toll free); (ii) on the Portfolio's website at janus.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janus.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Quarterly Portfolio Holdings

The Portfolio files its complete portfolio holdings (schedule of investments) with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days of the end of such fiscal quarter. The Portfolio's Form N-Q: (i) is available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) is available without charge, upon request, by calling Janus at 1-800-525-0020 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

In connection with their most recent consideration of those agreements for each Fund, the Trustees received and reviewed information provided by Janus Capital and the respective subadvisers in response to requests of the Trustees and their independent legal counsel. They also received and reviewed information and analysis provided by, and in response to requests of, their independent fee consultant. Throughout their consideration of the agreements, the Trustees were advised by their independent legal counsel. The Trustees met with management to consider the agreements, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 9, 2015, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from either January 1 or February 1, 2016 through January 1 or February 1, 2017, respectively, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee

for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

The Trustees concluded that the nature, extent and quality of the services provided by Janus Capital or the subadviser to each Fund were appropriate and consistent with the terms of the respective advisory and subadvisory agreements, and that, taking into account steps taken to address those Funds whose performance lagged that of their peers for certain periods, the Funds were likely to benefit from the continued provision of those services. They also concluded that Janus Capital and each subadviser had sufficient personnel, with the appropriate education and experience, to serve the Funds effectively and had demonstrated its ability to attract well-qualified personnel.

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2015, approximately 70% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2015, approximately 61% of the Funds were in the top two Broadridge quartiles of performance.

The Trustees considered the performance of each Fund, noting that performance may vary by share class, and noted the following:

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and its limited performance history.
- For Janus High-Yield Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.

Value Funds

- For Perkins International Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Perkins Global Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Large Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Perkins Select Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Perkins Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and INTECH had taken or were taking to improve performance.
- For INTECH U.S. Core Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Contrarian Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Enterprise Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Forty Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Growth and Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and in the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Research Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

- For Janus Triton Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Twenty Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Emerging Markets Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Real Estate Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Select Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus International Equity Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Overseas Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Allocation Portfolio – Moderate, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2015 and the second Broadridge quartile-for the 12 months ended May 31, 2015.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the third Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2015 and the first Broadridge quartile for the 12 months ended May 31, 2015.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2015 and the bottom Broadridge quartile for the 12 months ended May 31, 2015. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.

In consideration of each Fund's performance, the Trustees concluded that, taking into account the factors relevant to performance, as well as other considerations, including steps taken to improve performance, the Fund's performance warranted continuation of the Fund's investment advisory and subadvisory agreement(s).

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers,

was below the mean management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 14% below the mean total expenses of their respective Broadridge Expense Group peers and 24% below the mean total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 15% below the mean management fees for their Expense Groups and 19% below the mean for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the mean total expenses for its Broadridge Expense Group peers and to mean total expenses for its Broadridge Expense Universe.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual fund level, Fund expenses were found to be reasonable relative to both Expense Group and Expense Universe benchmarks. Further, for certain Funds, the independent fee consultant also performed a systematic "focus list" analysis of expenses in the context of the performance or service delivered to each set of investors in each share class in each selected Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Funds and share classes were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such Funds.

The Trustees considered the methodology used by Janus Capital and each subadviser in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional and subadvised accounts; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) the average spread between management fees charged to the Funds and those charged to Janus Capital's institutional accounts is reasonable relative to the average spreads seen in the industry; and (4) by one estimation methodology, the fee margins implied by Janus Capital's subadvised fees when compared to its mutual fund fees are reasonable relative to the estimated fee margins in the industry and relative to estimated fee margins of fund managers using Janus Capital as a subadviser.

The Trustees considered the fees for each Fund for its fiscal year ended in 2014, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Fixed-Income Funds and Money Market Funds

- For Janus Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Global Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Unconstrained Bond Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus has contractually agreed to limit the Fund's expenses.
- For Janus Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for all share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Government Money Market Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group mean due to the Fund's management fee including other costs, such as custody and transfer agent services, while many funds in the peer group pay these expenses separately from their management fee. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Asset Allocation Funds

- For Janus Global Allocation Fund – Conservative, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Diversified Alternatives Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

- For Perkins International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Global Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable.

- For Perkins Large Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Mid Cap Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Perkins Select Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Perkins Small Cap Value Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Perkins Value Plus Income Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Mathematical Funds

- For INTECH Emerging Markets Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For INTECH Global Income Managed Volatility Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For INTECH International Managed Volatility Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Core Fund, the Trustees noted that although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For INTECH U.S. Managed Volatility Fund, the Trustees noted that the Fund's total expenses exceeded the peer group mean for one share class. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.

Growth and Core Funds

- For Janus Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Forty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

- For Janus Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Triton Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Twenty Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Venture Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

Global and International Funds

- For Janus Asia Equity Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Select Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.
- For Janus International Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group mean for all share classes.

Janus Aspen Series

- For Janus Aspen Balanced Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

- For Janus Aspen Enterprise Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen Forty Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Aspen Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group mean for both share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital had contractually agreed to limit the Fund's expenses.
- For Janus Aspen INTECH U.S. Low Volatility Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for its sole share class.
- For Janus Aspen Janus Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.
- For Janus Aspen Perkins Mid Cap Value Portfolio, the Trustees noted that the Fund's total expenses were below the peer group mean for both share classes.

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

The independent fee consultant found that, while assessing the reasonableness of expenses in light of Janus Capital's profits is dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons are limited in accuracy by differences in complex size, business mix, institutional account orientation, and other factors, after accepting these limitations, the level of profit earned by Janus Capital from managing the Funds is reasonable.

The Trustees concluded that the management fees payable by each Fund to Janus Capital and its affiliates, as well as the fees paid by Janus Capital to the subadvisers of subadvised Funds, were reasonable in relation to the nature, extent, and quality of the services provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies, the fees Janus Capital and the subadvisers charge to other clients, and, as applicable, the impact of fund performance on management fees payable by the Funds. The Trustees also concluded that each Fund's total expenses were reasonable, taking into account the size of the Fund, the quality of services

provided by Janus Capital and any subadviser, the investment performance of the Fund, and any expense limitations agreed to or provided by Janus Capital.

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted that their independent fee consultant provided an analysis of economies of scale, which included discussion of analysis from prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 85% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 80% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale considered in prior years, and their conflicting results, its analyses could not confirm or deny the existence of economies of scale in the Janus complex. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Fund. The Trustees concluded that Janus Capital's and the subadvisers' use of these types of client commission arrangements to obtain proprietary and third-party research products and services was consistent with regulatory requirements and guidelines and was likely to benefit each Fund. The Trustees also concluded that, other than the services provided by Janus Capital and its affiliates and subadvisers pursuant to the agreements and the fees to be paid by each Fund therefor, the Funds and Janus Capital and the subadvisers may potentially benefit from their relationship with each other in other ways. They concluded that Janus Capital and/or the subadvisers benefits from the receipt of research products and services acquired through commissions paid on portfolio transactions of the Funds and that the Funds benefit from Janus Capital's and/or the subadvisers' receipt of those products and services as well as research products and services acquired through commissions paid by other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Fund could attract other business to Janus Capital, the subadvisers or other Janus funds, and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Funds.

Janus Aspen Global Research Portfolio
Useful Information About Your Portfolio Report (unaudited)

Management Commentary

The Management Commentary in this report includes valuable insight as well as statistical information to help you understand how your Portfolio's performance and characteristics stack up against those of comparable indices.

If the Portfolio invests in foreign securities, this report may include information about country exposure. Country exposure is based primarily on the country of risk. A company may be allocated to a country based on other factors such as location of the company's principal office, the location of the principal trading market for the company's securities, or the country where a majority of the company's revenues are derived.

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2016. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus in general.

Performance Overviews

Performance overview graphs compare the performance of a hypothetical $10,000 investment in the Portfolio with one or more widely used market indices. When comparing the performance of the Portfolio with an index, keep in mind that market indices are not available for investment and do not reflect deduction of expenses.

Average annual total returns are quoted for a Portfolio with more than one year of performance history. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period. Average annual total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Cumulative total returns are quoted for a Portfolio with less than one year of performance history. Cumulative total return is the growth or decline in value of an investment over time, independent of the period of time involved. Cumulative total return does not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or redemptions of Portfolio shares.

Pursuant to federal securities rules, expense ratios shown in the performance chart reflect subsidized (if applicable) and unsubsidized ratios. The total annual fund operating expenses ratio is gross of any fee waivers, reflecting the Portfolio's unsubsidized expense ratio. The net annual fund operating expenses ratio (if applicable) includes contractual waivers of Janus Capital and reflects the Portfolio's subsidized expense ratio. Ratios may be higher or lower than those shown in the "Financial Highlights" in this report.

Schedule of Investments

Following the performance overview section is the Portfolio's Schedule of Investments. This schedule reports the types of securities held in the Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. Government obligations, etc.) and by industry classification (banking, communications, insurance, etc.). Holdings are subject to change without notice.

The value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

If the Portfolio invests in foreign securities, it will also provide a summary of investments by country. This summary reports the Portfolio exposure to different countries by providing the percentage of securities invested in each country. The country of each security represents the country of risk. The Portfolio's Schedule of Investments relies upon the industry group and country classifications published by Barclays and/or MSCI Inc.

Tables listing details of individual forward currency contracts, futures, written options, swaptions, and swaps follow the Portfolio's Schedule of Investments (if applicable).

Statement of Assets and Liabilities

This statement is often referred to as the "balance sheet." It lists the assets and liabilities of the Portfolio on the last day of the reporting period.

Janus Aspen Global Research Portfolio
Useful Information About Your Portfolio Report (unaudited)

The Portfolio's assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on securities owned, and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolio's liabilities include payables for securities purchased but not yet settled, Portfolio shares redeemed but not yet paid, and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as unrealized gain or loss on forward currency contracts.

The section entitled "Net Assets Consist of" breaks down the components of the Portfolio's net assets. Because the Portfolio must distribute substantially all earnings, you will notice that a significant portion of net assets is shareholder capital.

The last section of this statement reports the net asset value ("NAV") per share on the last day of the reporting period. The NAV is calculated by dividing the Portfolio's net assets for each share class (assets minus liabilities) by the number of shares outstanding.

Statement of Operations

This statement details the Portfolio's income, expenses, realized gains and losses on securities and currency transactions, and changes in unrealized appreciation or depreciation of Portfolio holdings.

The first section in this statement, entitled "Investment Income," reports the dividends earned from securities and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses incurred by the Portfolio, including the advisory fee paid to the investment adviser, transfer agent fees and expenses, and printing and postage for mailing statements, financial reports and prospectuses. Expense offsets and expense reimbursements, if any, are also shown.

The last section lists the amounts of realized gains or losses from investment and foreign currency transactions, and changes in unrealized appreciation or depreciation of investments and foreign currency-denominated assets and liabilities. The Portfolio will realize a gain (or loss) when it sells its position in a particular security. A change in unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolio during the reporting period. "Net Realized and Unrealized Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

Statements of Changes in Net Assets

These statements report the increase or decrease in the Portfolio's net assets during the reporting period. Changes in the Portfolio's net assets are attributable to investment operations, dividends and distributions to investors, and capital share transactions. This is important to investors because it shows exactly what caused the Portfolio's net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolio's investment operations. The Portfolio's net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends and/or distributions in cash, money is taken out of the Portfolio to pay the dividend and/or distribution. If investors reinvest their dividends and/or distributions, the Portfolio's net assets will not be affected. If you compare the Portfolio's "Net Decrease from Dividends and Distributions" to "Reinvested Dividends and Distributions," you will notice that dividends and distributions have little effect on the Portfolio's net assets. This is because the majority of the Portfolio's investors reinvest their dividends and/or distributions.

The reinvestment of dividends and distributions is included under "Capital Share Transactions." "Capital Shares" refers to the money investors contribute to the Portfolio through purchases or withdrawals via redemptions. The Portfolio's net assets will increase and decrease in value as investors purchase and redeem shares from the Portfolio.

Financial Highlights

This schedule provides a per-share breakdown of the components that affect the Portfolio's NAV for current and past reporting periods as well as total return, asset size, ratios, and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income/(loss) per share. Following is the per share total of net gains/(losses), realized and unrealized. Per share dividends and distributions to investors are then subtracted to arrive at the NAV per share at the end of the

period. The next line reflects the total return for the period. Also included are ratios of expenses and net investment income to average net assets.

The Portfolio's expenses may be reduced through expense offsets and expense reimbursements. The ratios shown reflect expenses before and after any such offsets and reimbursements.

The ratio of net investment income/(loss) summarizes the income earned less expenses, divided by the average net assets of the Portfolio during the reporting period. Do not confuse this ratio with the Portfolio's yield. The net investment income ratio is not a true measure of the Portfolio's yield because it does not take into account the dividends distributed to the Portfolio's investors.

The next figure is the portfolio turnover rate, which measures the buying and selling activity in the Portfolio. Portfolio turnover is affected by market conditions, changes in the asset size of the Portfolio, fluctuating volume of shareholder purchase and redemption orders, the nature of the Portfolio's investments, and the investment style and/or outlook of the portfolio manager(s) and/or investment personnel. A 100% rate implies that an amount equal to the value of the entire portfolio was replaced once during the fiscal year; a 50% rate means that an amount equal to the value of half the portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the entire portfolio is traded every six months.

Janus Aspen Global Research Portfolio
Shareholder Meeting (unaudited)

A Special Meeting of Shareholders of the Portfolio was held on June 14, 2016. At the meeting, the following matter was voted on and approved by the Shareholders. Each whole or fractional vote reported represents one whole or fractional dollar of net asset value held on the record date for the meeting. The results of the Special Meeting of Shareholders are noted below.

Proposal
To elect eight Trustees, each of whom is considered "independent."

		Number of Votes ($)		
Trustees	*Record Date Votes ($)*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	7,477,409,597.098	6,576,576,690.332	262,206,698.204	6,838,783,388.536
William D. Cvengros	7,477,409,597.098	6,565,725,463.575	273,057,924.961	6,838,783,388.536
Raudline Etienne	7,477,409,597.098	6,560,661,215.330	278,122,173.206	6,838,783,388.536
William F. McCalpin	7,477,409,597.098	6,572,385,644.563	266,397,743.973	6,838,783,388.536
Gary A. Poliner	7,477,409,597.098	6,576,207,507.849	262,575,880.687	6,838,783,388.536
James T. Rothe	7,477,409,597.098	6,559,365,918.898	279,417,469.638	6,838,783,388.536
William D. Stewart	7,477,409,597.098	6,558,013,404.302	280,769,984.235	6,838,783,388.536
Linda S. Wolf	7,477,409,597.098	6,565,131,501.186	273,651,887.350	6,838,783,388.536

	Votes (%)			*Percentage Voted (%)*		
Trustees	*Affirmative*	*Withheld*	*Total*	*Affirmative*	*Withheld*	*Total*
Alan A. Brown	87.953	3.507	91.459	96.166	3.834	100.000
William D. Cvengros	87.807	3.652	91.459	96.007	3.993	100.000
Raudline Etienne	87.740	3.719	91.459	95.933	4.067	100.000
William F. McCalpin	87.897	3.563	91.459	96.105	3.895	100.000
Gary A. Poliner	87.948	3.512	91.459	96.160	3.840	100.000
James T. Rothe	87.722	3.737	91.459	95.914	4.086	100.000
William D. Stewart	87.704	3.755	91.459	95.894	4.106	100.000
Linda S. Wolf	87.800	3.660	91.459	95.999	4.001	100.000

Janus Aspen Global Research Portfolio
Notes

Janus provides access to a wide range of investment disciplines.

Alternative
Janus alternative funds seek to deliver strong risk-adjusted returns over a full market cycle with lower correlation to equity markets than traditional investments.

Asset Allocation
Janus' asset allocation funds utilize our fundamental, bottom-up research to balance risk over the long term. From fund options that meet investors' risk tolerance and objectives to a method that incorporates non-traditional investment choices to seek non-correlated sources of risk and return, Janus' asset allocation funds aim to allocate risk more effectively.

Fixed Income
Janus fixed income funds attempt to provide less risk relative to equities while seeking to deliver a competitive total return through high current income and appreciation. Janus money market funds seek capital preservation and liquidity with current income as a secondary objective.

Global & International
Janus global and international funds seek to leverage Janus' research capabilities by taking advantage of inefficiencies in foreign markets, where accurate information and analytical insight are often at a premium.

Growth & Core
Janus growth funds focus on companies believed to be the leaders in their respective industries, with solid management teams, expanding market share, margins and efficiencies. Janus core funds seek investments in more stable and predictable companies. Our core funds look for a strategic combination of steady growth and, for certain funds, some degree of income.

Mathematical
Our mathematical funds seek to outperform their respective indices while maintaining a risk profile equal to or lower than the index itself. Managed by INTECH® (a Janus subsidiary), these funds use a mathematical process in an attempt to build a more "efficient" portfolio than the index.

Value
Our value funds, managed by Perkins® (a Janus subsidiary), seek to identify companies with favorable reward to risk characteristics by conducting rigorous downside analysis before determining upside potential.

For more information about our funds, contact your investment professional or go to janus.com/variable-insurance.

JANUS®

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus at 877.33JANUS (52687) or download the file from janus.com/variable-insurance. Read it carefully before you invest or send money.

Funds distributed by Janus Distributors LLC

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June 30, 2016

Semiannual Report

Government Money Portfolio

(Formerly Prime Reserve Portfolio)

T. Rowe Price®
INVEST WITH CONFIDENCE

T. Rowe Price Government Money Portfolio

Highlights

- Money market yields remained low in the first half of 2016. The Federal Reserve raised short-term interest rates in December 2015 but has delayed subsequent rate increases.
- The Government Money Portfolio returned 0.00% in the first half of 2016, whereas the portfolio's Lipper benchmark had a slight positive return.
- As debt positions matured, we moved the portfolio from its "prime" mandate toward its government mandate, which became effective May 1, 2016.
- While the timing of the Fed's next move is still unclear, we continue to believe that Fed rate hikes will be gradual.

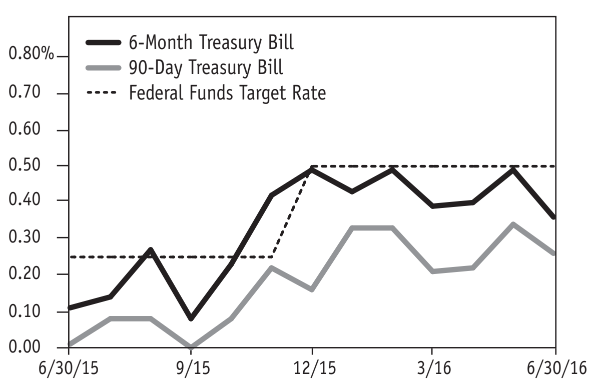
Dear Investor

Money market yields remained low in the first half of 2016. As you may recall, the Federal Reserve made the first change to its monetary policy in seven years in December 2015. At that time, the central bank raised its target for short-term interest rates to a range of 0.25% to 0.50% from a previous range of 0.00% to 0.25%. Since that time, the Fed has delayed subsequent rate increases due to concerns about global economic weakness. Given global market uncertainty, low inflation, and the economic uncertainties stemming from the UK's late-June decision to leave the European Union, we believe that future rate increases will be slow in coming.

Economy and Interest Rates

While the U.S. economy grew at a sluggish 1.1% annual rate in the first quarter, the underlying trend of moderate expansion seems to remain in place. We believe growth is likely to rebound to roughly 2% over the balance of the year. The domestic labor market has been resilient in the face of unfavorable economic developments overseas. Although the pace slowed in the second quarter, jobs growth averaged 200,000 per month over the past year, and the national unemployment rate was 4.9% in June.

Interest Rate Levels



Sources: Federal Reserve Board and J.P. Morgan.

Broad measures of inflation have remained very low due to declining prices of oil and other commodities—which is a plus for consumers and many businesses—but core inflation, which excludes food and energy costs, is beginning to turn higher. While the Fed raised short-term rates in December, the central bank has kept rates unchanged thus far in 2016. However, we believe that another Fed rate hike is possible this year if the labor market recovery persists and measures of domestic demand strengthen.

Performance and Portfolio Review

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
Government Money Portfolio	0.00%
Lipper Variable Annuity Underlying Money Market Funds Average	0.02

The Government Money Portfolio returned 0.00% in the first half of 2016. As shown in the Performance Comparison table, the portfolio's Lipper benchmark had a slight positive return.

Because of the Fed's inaction, other money market rates that depend on the fed funds target rate have been fairly stable. The three-month LIBOR, for example, rose from 0.61% to 0.65% over the last six months. But LIBOR rates are higher than they were late last year, which allows prime money funds to invest in debt issued by banks and corporations at more attractive rates. Interest rates on municipal variable rate securities have also increased since last year.

Portfolio Characteristics

Periods Ended	12/31/15	6/30/16
Price Per Share	$1.00	$1.00
Dividends Per Share		
6 Months	0.000	0.000
12 Months	0.000	0.000
SEC Yield (7-day simple)*	0.00%	0.00%
SEC Yield (7-day simple)–Unsubsidized	-0.18	-0.15
Weighted Average Maturity (days)	33	48
Weighted Average Life (days)	77	77

Note: The portfolio's yield more closely reflects its current earnings than does the total return.

12-month dividends may not equal the combined 6-month figures due to rounding.

The SEC yield calculation annualizes the portfolio's net investment income for the last 7 days of each period and divides that by the portfolio's net asset value at the end of the period.

*In an effort to maintain a zero or positive net yield for the portfolio, T. Rowe Price has voluntarily waived all or a portion of the management fee it is entitled to receive from the portfolio. This voluntary waiver is in addition to any contractual expense ratio limitation in effect for the portfolio and may be amended or terminated at any time without prior notice. A fee waiver has the effect of increasing the portfolio's net yield; without it, the portfolio's 7-day yield would have been lower. Please see the prospectus for more details.

Three-month Treasury bill yields rose from 0.16% to 0.26% over the last six months, even with the persistent demand for short-term, high-quality assets spurred by new money fund regulations. One-year Treasury bill yields began the period at 0.64% and oscillated in the 0.40% to 0.70% range before ending the period at 0.46%. The overwhelming demand for, and smaller supply of, these high-quality investments has kept the Treasury yield curve very flat.

Security Diversification

Other U.S. Government & Agencies	73%
U.S. Treasury Bills	18
U.S. Treasury Notes	12
Other Assets Less Liabilities	-3
Total	100%

Based on net assets as of 6/30/16.

As you know, the Prime Reserve Portfolio has changed its investment mandate to that of a government money market fund, with a new name—Government Money Portfolio—to reflect this. Effectively, this limits the fund's investments to U.S. Treasuries and other U.S. government debt, as well as repurchase agreements backed by similar collateral. As debt positions matured, we moved the portfolio toward its new government mandate, which became effective May 1, 2016. This mandate change, made in response to SEC rule changes, allows the portfolio to retain the attractive features our investors have enjoyed, such as a focus on liquidity and stability of principal. Our hope is that this mandate change will not disrupt existing shareholders.

Short-Term Quality Diversification

	Percent of Net Assets 12/31/15	6/30/16
First Tier	100.0%	100.0%
Total	100.0%	100.0%

Sources: Moody's Investors Service, Standard & Poor's, and Fitch. Tier 1 securities either receive the highest short-term credit ratings (within which there may be subcategories or gradations) by at least 2 qualified rating agencies (unless only rated by 1 rating agency) or are deemed by T. Rowe Price to be the equivalent of Tier 1. A Tier 2 security is any other eligible money market fund investment that does not meet the Tier 1 criteria. T. Rowe Price does not evaluate these ratings but simply assigns them to the appropriate credit quality category as determined by the rating agency. Unrated securities, if any, have been determined by T. Rowe Price to be the equivalent of an eligible money market investment. Securities that have not received any rating from a rating agency totaled 0.00% of the portfolio at the end of the reporting period.

Outlook

While the timing of the Fed's next move is still unclear, we continue to believe that Fed rate hikes will be gradual. The Fed, by its own admission, is cognizant of the global markets' ability to impact the U.S. economy, so Fed officials are keeping a watchful eye on global forces as they make their decisions. Therefore, we are maintaining a weighted average maturity that is near that of our average competitor to take advantage of higher rates when they come.

As always, we thank you for investing with T. Rowe Price.

Respectfully submitted,

Joseph K. Lynagh

Joseph K. Lynagh
Chairman of the portfolio's Investment Advisory Committee

July 14, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the portfolio's investment program.

Risks of Investing in Government Money Market Funds

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Glossary

Fed funds target rate: The interest rate charged on overnight loans of reserves by one financial institution to another in the United States. The Federal Reserve sets a target federal funds rate to affect the direction of interest rates.

LIBOR: The London Interbank Offered Rate, which is a benchmark for short-term taxable rates.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

Repurchase agreement (repo): A form of short-term borrowing using collateral in which a bank or broker-dealer sells government securities to another party, such as the Federal Reserve, and commits to buy them back at a fixed price on a future date, usually within a week.

Glossary (continued)

SEC yield (7-day simple): A method of calculating a money fund's yield by annualizing the fund's net investment income for the last seven days of each period divided by the fund's net asset value at the end of the period. Yield will vary and is not guaranteed.

Weighted average life: A measure of a fund's credit quality risk. In general, the longer the average life, the greater the fund's credit quality risk. The average life is the dollar-weighted average maturity of a portfolio's individual securities without taking into account interest rate readjustment dates. Money funds must maintain a weighted average life of less than 120 days.

Weighted average maturity: A measure of a fund's interest rate sensitivity. In general, the longer the average maturity, the greater the fund's sensitivity to interest rate changes. The weighted average maturity may take into account the interest rate readjustment dates for certain securities. Money funds must maintain a weighted average maturity of less than 60 days.

Yield curve: A graphic depiction of the relationship between yields and maturity dates for a set of similar securities. A security with a longer maturity usually has a higher yield. If a short-term security offers a higher yield, then the curve is said to be "inverted." If short- and long-term bonds are offering equivalent yields, then the curve is said to be "flat."

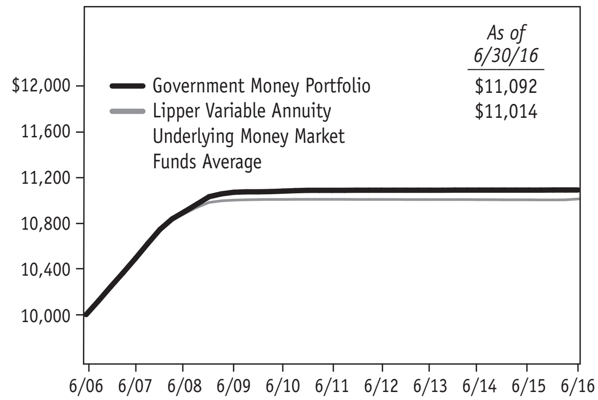
Performance and Expenses

T. Rowe Price Government Money Portfolio

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Government Money Portfolio



Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
Government Money Portfolio	0.01%	0.00%	1.04%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Investment return will vary. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include reinvested dividends. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. 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. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Government Money Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Actual	$1,000.00	$1,000.00	$1.89
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.97	1.91

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period (0.38%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period.

Financial Highlights

T. Rowe Price Government Money Portfolio
(Unaudited)

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Investment activities						
Net investment income[1]	–[2]	–[2]	–[2]	–[2]	–[2]	–[2][3]
Net realized and unrealized gain / loss	–	–[3]	–[3]	–[3]	–[3]	–[3]
Total from investment activities	–	–[3]	–[3]	–[3]	–[3]	–[3]
Distributions						
Net investment income	–	–	–	–	–	–[3]
Net realized gain	–	–[3]	–	–[3]	–	–[3]
Total distributions	–	–[3]	–	–[3]	–	–[3]
NET ASSET VALUE						
End of period	**$ 1.00**	**$ 1.00**	**$ 1.00**	**$ 1.00**	**$ 1.00**	**$ 1.00**

Ratios/Supplemental Data

Total return[4]	**0.00%[2]**	**0.01%[2]**	**0.00%[2]**	**0.00%[2]**	**0.00%[2]**	**0.01%[2]**
Ratio of total expenses to average net assets	0.38%[2][5]	0.23%[2]	0.17%[2]	0.21%[2]	0.29%[2]	0.30%[2]
Ratio of net investment income to average net assets	0.00%[2][5]	0.00%[2]	0.00%[2]	0.00%[2]	0.00%[2]	0.00%[2]
Net assets, end of period (in thousands)	$ 18,155	$ 17,379	$ 17,905	$ 19,992	$ 25,088	$ 28,088

(1) Per share amounts calculated using average shares outstanding method.
(2) Includes the effect of voluntary management fee waivers of 0.17%, 0.32%, 0.38%, 0.34%, 0.26%, and 0.25% of average net assets for the six months ended 6/30/16 and the years ended 12/31/15, 12/31/14, 12/31/13, 12/31/12, and 12/31/11, respectively (see Note 5).
(3) Amounts round to less than $0.01 per share.
(4) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(5) Annualized

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

Portfolio of Investments‡

T. Rowe Price Government Money Portfolio
June 30, 2016 (Unaudited)

(Amounts in 000s)

	Par	$ Value
U.S. GOVERNMENT AGENCY DEBT 72.9% (1)		
Federal Farm Credit Bank 0.28%, 8/4/16	350	350
Federal Farm Credit Bank 0.30%, 8/12/16	390	390
Federal Farm Credit Bank 0.34%, 8/10/16	250	250
Federal Farm Credit Bank 0.40%, 7/12/16	296	296
Federal Farm Credit Bank 0.488%, 5/5/17	500	500
Federal Home Loan Bank 0.30%, 7/18/16	390	390
Federal Home Loan Bank 0.30%, 7/25/16	350	350
Federal Home Loan Bank 0.308%, 7/13/16	272	272
Federal Home Loan Bank 0.31%, 8/9/16	400	400
Federal Home Loan Bank 0.315%, 8/3/16	273	273
Federal Home Loan Bank 0.33%, 7/20/16	318	318
Federal Home Loan Bank 0.33%, 8/8/16	325	325
Federal Home Loan Bank 0.335%, 7/14/16	154	154
Federal Home Loan Bank 0.335%, 7/14/16	105	105
Federal Home Loan Bank 0.34%, 7/21/16	443	443
Federal Home Loan Bank 0.35%, 7/8/16	336	336
Federal Home Loan Bank 0.363%, 7/27/16	400	400
Federal Home Loan Bank 0.363%, 7/27/16	335	335
Federal Home Loan Bank 0.38%, 10/12/16	275	274
Federal Home Loan Bank 0.383%, 9/16/16	323	322
Federal Home Loan Bank 0.383%, 9/16/16	400	399
Federal Home Loan Bank 0.39%, 8/5/16	313	313
Federal Home Loan Bank 0.39%, 8/5/16	500	500
Federal Home Loan Bank 0.39%, 9/21/16	265	265
Federal Home Loan Bank 0.39%, 9/21/16	250	250
Federal Home Loan Bank 0.391%, 9/2/16	118	118
Federal Home Loan Bank 0.40%, 7/22/16	290	290
Federal Home Loan Bank 0.405%, 9/14/16	147	147
Federal Home Loan Bank 0.44%, 8/12/16	266	266
Federal Home Loan Bank 0.46%, 10/28/16	100	100
Federal Home Loan Bank 0.461%, 8/17/16	300	300
Federal Home Loan Mortgage 0.32%, 9/1/16	350	350
Federal Home Loan Mortgage 0.395%, 10/7/16	236	235
Federal Home Loan Mortgage 0.40%, 7/11/16	250	250
Federal Home Loan Mortgage 0.43%, 8/26/16	226	226
Federal Home Loan Mortgage 0.452%, 8/19/16	250	250
Federal Home Loan Mortgage 0.452%, 8/19/16	250	250
Federal Home Loan Mortgage 5.00%, 2/16/17	250	257
Federal National Mortgage Assn. 0.28%, 8/17/16	170	170
Federal National Mortgage Assn. 0.31%, 7/20/16	250	250
Federal National Mortgage Assn. 0.399%, 7/19/16	500	500
Federal National Mortgage Assn. 0.525%, 10/21/16	280	280
Federal National Mortgage Assn. 0.54%, 7/6/16	576	576
Federal National Mortgage Assn. 0.625%, 8/26/16	207	207
Total U.S. Government Agency Debt (Cost $13,232)		**13,232**

(Amounts in 000s)	Par	$ Value
U.S. TREASURY DEBT 29.8%		
U.S. Treasury Bills 0.23%, 7/21/16	300	300
U.S. Treasury Bills 0.244%, 9/1/16	175	175
U.S. Treasury Bills 0.26%, 9/29/16	250	250
U.S. Treasury Bills 0.31%, 10/13/16	300	299
U.S. Treasury Bills 0.32%, 8/18/16	200	200
U.S. Treasury Bills 0.327%, 8/11/16	250	250
U.S. Treasury Bills 0.327%, 8/11/16	314	314
U.S. Treasury Bills 0.327%, 8/11/16	131	131
U.S. Treasury Bills 0.388%, 12/22/16	500	499
U.S. Treasury Bills 0.415%, 12/15/16	500	499
U.S. Treasury Bills 0.455%, 8/4/16	300	300
U.S. Treasury Notes 0.313%, 10/31/16	225	225
U.S. Treasury Notes 0.33%, 7/31/16	150	150
U.S. Treasury Notes 0.334%, 4/30/17	200	200
U.S. Treasury Notes 0.337%, 7/31/17	250	250
U.S. Treasury Notes 0.344%, 1/31/17	200	200
U.S. Treasury Notes 0.428%, 10/31/17	300	300
U.S. Treasury Notes 0.625%, 7/15/16	200	200
U.S. Treasury Notes 0.625%, 8/15/16	425	425
U.S. Treasury Notes 1.50%, 7/31/16	250	250
Total U.S. Treasury Debt (Cost $5,417)		**5,417**
Total Investments in Securities		
102.7% of Net Assets (Cost $18,649)		**$ 18,649**

‡ Par is denominated in U.S. dollars unless otherwise noted.

(1) Issuer operates under a Congressional charter; its securities are neither issued nor guaranteed by the U.S. government. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation currently operate under a federal conservatorship.

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

Statement of Assets and Liabilities

T. Rowe Price Government Money Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $18,649)	$	18,649
Cash		37
Interest receivable		10
Receivable for shares sold		2
Total assets		18,698
Liabilities		
Payable for investment securities purchased		500
Investment management and administrative fees payable		42
Payable for shares redeemed		1
Total liabilities		543
NET ASSETS	**$**	**18,155**
Net Assets Consist of:		
Paid-in capital applicable to 18,136,501 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		18,155
NET ASSETS	**$**	**18,155**
NET ASSET VALUE PER SHARE	**$**	**1.00**

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

Statement of Operations

T. Rowe Price Government Money Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Interest income	$ 34
Expenses	
Investment management and administrative expense	49
Voluntary management fee waivers	(15)
Net expenses	34
Net Investment Income	–
INCREASE IN NET ASSETS FROM OPERATIONS	**$ –**

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

Statement of Changes in Net Assets

T. Rowe Price Government Money Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Distributions to shareholders		
Net investment income	$ –	$ –
Net realized gain	–	(2)
Decrease in net assets from distributions	–	(2)
Capital share transactions*		
Shares sold	3,922	6,881
Distributions reinvested	–	2
Shares redeemed	(3,146)	(7,407)
Increase (decrease) in net assets from capital share transactions	776	(524)
Net Assets		
Increase (decrease) during period	776	(526)
Beginning of period	17,379	17,905
End of period	**$ 18,155**	**$ 17,379**
Undistributed net investment income	–	–

*Capital share transactions at net asset value of $1.00 per share

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

T. Rowe Price Fixed Income Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The T. Rowe Price Government Money Portfolio (the fund), formerly the Prime Reserve Portfolio, is a diversified, open-end management investment company established by the corporation. The fund incepted on December 31, 1996. The fund seeks preservation of capital, liquidity, and, consistent with these, the highest possible current income. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies.

In accordance with amendments to rules governing money market funds under the 1940 Act (amendments) and as approved by the fund's Board, the fund intends to operate as a government money market fund. On May 1, 2016, the fund adopted a policy to, under normal conditions, invest at least 80% of its net assets in U.S. government securities and repurchase agreements that are collateralized by U.S. government securities. On October 14, 2016, the fund will also adopt a policy to invest at least 99.5% of its total assets in cash, U.S. government securities, and/or repurchase agreements that are collateralized by U.S. government securities or cash. The fund will generally continue to value its securities at amortized cost and transact at a stable $1.00 NAV. The amendments do not require government money market funds to, and the fund has no intention to voluntarily, impose liquidity fees on redemptions or temporarily suspend redemptions.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared daily and paid monthly. Capital gain distributions, if any, are generally declared and paid by the fund annually.

NOTE 2 - VALUATION

The fund's financial instruments are valued and its net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values. For example, securities held by a money market fund are generally high quality and liquid; however, they are reflected as Level 2 because the inputs used to determine fair value are not quoted prices in an active market.

In accordance with Rule 2a-7 under the 1940 Act, the fund values its securities at amortized cost, which approximates fair value. Securities for which amortized cost is deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. On June 30, 2016, all of the fund's financial instruments were classified as Level 2 in the fair value hierarchy.

NOTE 3 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2016, the cost of investments for federal income tax purposes was $18,649,000.

NOTE 4 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.55% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

Price Associates may voluntarily waive all or a portion of its management fee and reimburse operating expenses to the extent necessary for the fund to maintain a zero or positive net yield (voluntary waiver). Any amounts waived/paid by Price Associates under this voluntary agreement are not subject to repayment by the fund. Price Associates may amend or terminate this voluntary arrangement at any time without prior notice. For the six months ended June 30, 2016, expenses waived/repaid totaled $15,000.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor
The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund
The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-, 5-, and 10-year periods, and compared these returns with a wide variety of previously agreed-upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale
The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. While the Board did not review information regarding profits realized from managing the fund in particular–because the fund had either not achieved sufficient portfolio asset size or not recognized sufficient revenues to produce meaningful profit margin percentages–the Board concluded that the Advisor's profits were reasonable in light of the services provided to the T. Rowe Price funds.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Board also noted that an arrangement is in place whereby the Advisor may voluntarily waive all or a portion of the management fee it is entitled to receive from the fund or pay all or a portion of the fund's operating expenses in order to maintain a zero or positive net yield for the fund. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Approval of Investment Management Agreement (continued)

Fees

The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses, and the total expense ratio was equal to the all-inclusive management fee rate. After including reductions resulting from the voluntary fee waiver arrangement, the information provided to the Board indicated that the fund's management fee rate was below the median for comparable funds and the fund's total expense ratio was above the median for comparable funds.

The Board also reviewed the fee schedules for institutional accounts and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the mutual fund business. The Board considered information showing that the Advisor's mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various relevant factors, such as the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for an institutional account and that the Advisor generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract

As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

T. Rowe Price
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

2016-US-24574

E306-051 8/16

June 30, 2016

Semiannual Report

Limited-Term Bond Portfolio

T. Rowe Price®
INVEST WITH CONFIDENCE

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Limited-Term Bond Portfolio

Highlights

- Short-term securities produced modestly positive returns during the six-month period ended June 30, 2016.
- The Limited-Term Bond Portfolio performed approximately in line with the Barclays 1–3 Year U.S. Government/Credit Bond Index during the period but underperformed the Lipper peer group average.
- Our largest exposure continued to be in corporate bonds, and we continue to slowly increase our position in higher-quality, higher-liquidity asset-backed securities.
- We believe that the Fed will move slowly in tightening monetary policy.

Manager's Letter

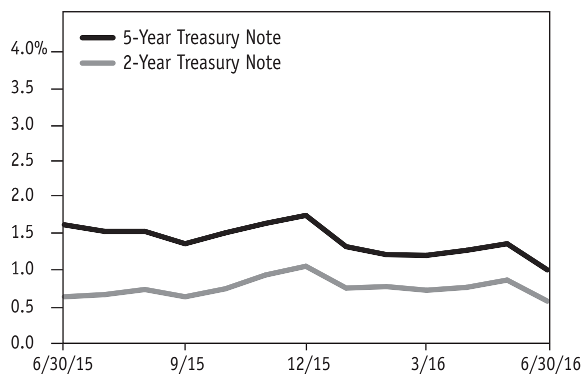
T. Rowe Price Limited-Term Bond Portfolio

Dear Investor

Short-term fixed income securities produced positive returns over the reporting period, which was dominated by changing expectations for growth and interest rate and subsequent volatility. At the end of the six-month reporting period, the UK voted to leave the European Union, an unexpected outcome that is likely to further weaken global growth and keep interest rates lower for much longer than had been expected among developed economies.

Market Environment

Interest Rate Levels



Source: Federal Reserve Board.

Even before the Brexit referendum, volatility increased amid changing expectations about how soon and how much the Federal Reserve would raise its federal funds target rate. Worries about mixed U.S. economic data as well as the potential for another downturn in oil prices, a slowing global economy, and China's ability to engineer a soft economic landing also weighed on the markets.

Global headwinds have not bypassed the U.S. but have taken a somewhat smaller toll on it than in other developed markets.

Yields on short-term Treasuries—a good indication of the market's general sentiment toward riskier asset classes—have been volatile and ended the period lower as investors sought safe-haven assets following the Brexit vote.

The yield on the two-year Treasury note began the period at 1.06% and fell to end the reporting period at 0.58%. (Bond prices and yields move in opposite directions.)

Performance

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
Limited-Term Bond Portfolio	1.70%
Limited-Term Bond Portfolio–II	1.58
Barclays 1–3 Year U.S. Government/Credit Bond Index	1.65
Lipper Variable Annuity Underlying Short-Intermediate Investment Grade Debt Funds Average	2.92

The portfolio posted a return of 1.70% during the six months ended June 30, 2016. The portfolio outperformed the 1.65% gain for the Barclays 1–3 Year U.S. Government/Credit Bond Index but underperformed the 2.92% return for our Lipper peer group average. (Performance for the Portfolio–II was slightly lower reflecting its different expense ratio.)

Key Statistics

Periods Ended	12/31/15	6/30/16
Limited-Term Bond Portfolio		
Price Per Share	$4.84	$4.89
Dividends Per Share		
6 Months	0.03	0.03
12 Months	0.06	0.06
SEC Yield (30-day)	1.08%	1.00%
Limited-Term Bond Portfolio–II		
Price Per Share	$4.82	$4.87
Dividends Per Share		
6 Months	0.02	0.03
12 Months	0.04	0.05
SEC Yield (30-day)	0.83%	0.76%
Weighted Average Maturity (years)	2.3	2.2
Weighted Average Effective Duration (years)	1.9	1.8

12-month dividends may not equal the combined 6-month figures due to rounding.

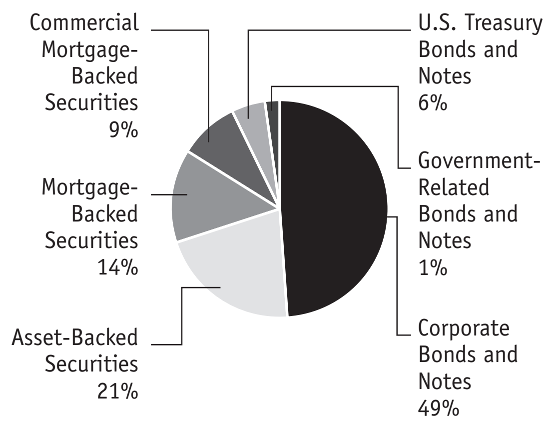
Global bond markets are adjusting to the new reality of what we expect to be a prolonged period of lower rates following Brexit. We anticipate elevated volatility and, as a result, continue to reduce the credit risk in the portfolio by trimming our exposure to lower-rated bonds. We continue to create a more defensive posture in the corporate space by reducing exposure to higher-risk energy- and commodity-related bonds. At the same time, we have consolidated our holdings of financial services companies to focus on well-capitalized, higher-quality names that have historically been able to withstand market corrections.

In an effort to reduce the portfolio's overall risk, we trimmed our corporate bond exposure and increased our position in asset-backed securities (ABS) as new supply in this high-quality sector came to market at attractive prices. ABS are high-quality, liquidity bonds that offer good relative value, have defensive characteristics, and are higher yielding than Treasuries with a similar maturity. We intend to maintain the portfolio's high-quality bias within the corporate sector, a strategy that has helped us weather volatile environments.

Our overweight to investment-grade corporate bonds and corresponding underweight to Treasuries helped results, especially after oil prices bottomed in February and investors became less risk averse. Out-of-benchmark positions in ABS helped performance as they benefited from periods of risk aversion throughout our fiscal year. Our yield curve positioning also helped returns thanks to our exposure to the 5- to 10-year portion of the curve, which performed better than shorter maturities.

Oil prices rose during the six-month period but many energy companies remained under pressure from oil prices that were still low by historical standards. As a result, some of our holdings in energy-related bonds suffered and detracted from results. **Superior Energy Services**, **Continental Resources**, and **Murphy Oil** bonds were pressured by the relatively low oil prices and downward revisions to their credit ratings. (Please refer to the fund's portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Sector Diversification



Based on net assets as of 6/30/16.

Quality Diversification

	Percent of Net Assets 12/31/15	6/30/16
Quality Rating		
U.S. Government Agency Securities*	11%	12%
U.S. Treasury**	15	6
AAA	24	27
AA	5	6
A	17	19
BBB	25	26
BB and Below	2	4
Reserves	1	0
Total	100%	100%

*U.S. government agency securities include GNMA securities and conventional pass-throughs, collateralized mortgage obligations, and project loans. U.S. government agency securities, unlike Treasuries, are not issued directly by the U.S. government and are generally unrated but have credit support from the U.S. Treasury (in the case of Freddie Mac and Fannie Mae issues) or a direct government guarantee (in the case of Ginnie Mae issues). Unrated securities totaled 0.21% of the portfolio at the end of the reporting period.

**U.S. Treasury securities are issued by the U.S. Treasury and are backed by the full faith and credit of the U.S. government. The ratings of U.S. Treasury securities are derived from the ratings on the U.S. government.

Sources: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, Fitch will be used for securities that are not rated by Moody's or S&P. T. Rowe Price does not evaluate these ratings but simply assigns them to the appropriate credit quality category as determined by the rating agency.

Outlook

Following the Brexit vote, we expect the Fed to be uniquely deliberate and gradual in removing policy accommodation. We are likely to see further quantitative easing among central banks outside the U.S., which will push rates lower globally, strengthen the dollar, and limit the Fed's ability to increase interest rates. A period of slow and steady policy adjustment will likely contain intermediate yields.

We have always taken a risk-aware and long-term approach to investing, and we generally buy bonds that we intend to hold until maturity. We plan to continue our shift into lower-risk assets. As always, we strive to find value and seek out securities offering reasonable yields without taking on an inordinate level of risk.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Michael Reinartz
President and chairman of the portfolio's Investment Advisory Committee

July 19, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the fund's investment program.

Risks of Fixed Income Investing

Bonds are subject to interest rate risk (the decline in bond prices that usually accompanies a rise in interest rates) and credit risk (the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default by failing to make timely payments of interest or principal), potentially reducing the fund's income level and share price. Mortgage-backed securities are subject to prepayment risk, particularly if falling rates lead to heavy refinancing activity, and extension risk, which is an increase in interest rates that causes a fund's average maturity to lengthen unexpectedly due to a drop in mortgage prepayments. This could increase the fund's sensitivity to rising interest rates and its potential for price declines.

Glossary

Barclays 1–3 Year U.S. Government/Credit Bond Index: A total return index that incorporates all bonds in the Treasury Bond Index and the Agency Bond Index, as well as U.S. corporate and some foreign debentures and secured notes, with maturities of one to three years.

Duration: A measure of a bond fund's sensitivity to changes in interest rates. For example, a fund with duration of two years would fall about 2% in price in response to a one-percentage-point rise in interest rates, and vice versa.

Fed funds rate: The interest rate charged on overnight loans of reserves by one financial institution to another in the United States. The Federal Reserve sets a target federal funds rate to affect the direction of interest rates.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

SEC yield (30-day): A method of calculating a fund's yield that assumes all portfolio securities are held until maturity. Yield will vary and is not guaranteed.

Glossary (continued)

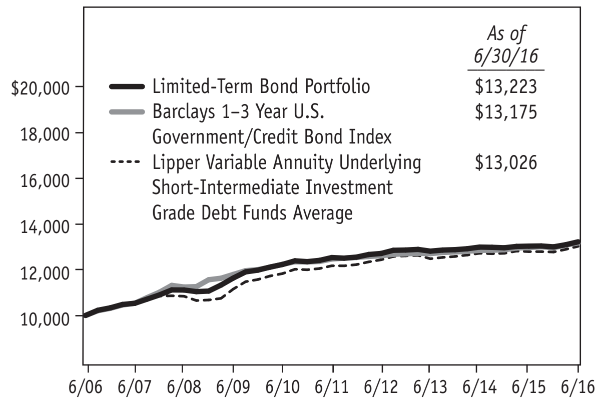
Weighted average maturity: A measure of a fund's interest rate sensitivity. In general, the longer the average maturity, the greater the fund's sensitivity to interest rate changes. The weighted average maturity may take into account the interest rate readjustment dates for certain securities.

Yield curve: A graph depicting the relationship between yields and maturity dates for a set of similar securities. These curves are in constant flux. One of the key activities in managing any fixed income portfolio is to study the trends reflected by yield curves.

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Limited-Term Bond Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
Limited-Term Bond Portfolio	1.45%	1.07%	2.83%
Limited-Term Bond Portfolio–II	1.20	0.83	2.52

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. 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. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Limited-Term Bond Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Limited-Term Bond Portfolio			
Actual	$1,000.00	$1,017.00	$3.51
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.38	3.52
Limited-Term Bond Portfolio–II			
Actual	1,000.00	1,015.80	4.76
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.14	4.77

*Expenses are equal to the fund's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Limited-Term Bond Portfolio was 0.70%, and the Limited-Term Bond Portfolio–II was 0.95%.

Financial Highlights

T. Rowe Price Limited-Term Bond Portfolio
(Unaudited)

Limited-Term Bond Class

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 4.84	$ 4.88	$ 4.91	$ 4.98	$ 4.97	$ 5.05
Investment activities						
Net investment income[1]	0.03	0.04	0.05	0.06	0.08	0.11
Net realized and unrealized gain / loss	0.05	(0.02)	(0.02)	(0.05)	0.04	(0.03)
Total from investment activities	0.08	0.02	0.03	0.01	0.12	0.08
Distributions						
Net investment income	(0.03)	(0.06)	(0.06)	(0.08)	(0.10)	(0.12)
Net realized gain	–	–	–	–[2]	(0.01)	(0.04)
Total distributions	(0.03)	(0.06)	(0.06)	(0.08)	(0.11)	(0.16)
NET ASSET VALUE						
End of period	**$ 4.89**	**$ 4.84**	**$ 4.88**	**$ 4.91**	**$ 4.98**	**$ 4.97**

Ratios/Supplemental Data

Total return[3]	**1.70%**	**0.31%**	**0.64%**	**0.13%**	**2.47%**	**1.60%**
Ratio of total expenses to average net assets	0.70%[4]	0.70%	0.70%	0.70%	0.70%	0.70%
Ratio of net investment income to average net assets	1.07%[4]	0.82%	1.00%	1.12%	1.63%	2.14%
Portfolio turnover rate	35.8%	89.2%	117.0%	52.4%	64.3%	89.2%
Net assets, end of period (in thousands)	$ 402,969	$ 420,125	$ 261,935	$ 168,117	$ 156,343	$ 167,800

(1) Per share amounts calculated using average shares outstanding method.
(2) Amounts round to less than $0.01 per share.
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(4) Annualized

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

Financial Highlights

T. Rowe Price Limited-Term Bond Portfolio
(Unaudited)

Limited-Term Bond-II Class

For a share outstanding throughout each period

	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 4.82	$ 4.86	$ 4.89	$ 4.96	$ 4.94	$ 5.03
Investment activities						
Net investment income[1]	0.02	0.03	0.04	0.03	0.08	0.09
Net realized and unrealized gain / loss	0.06	(0.03)	(0.02)	(0.04)	0.04	(0.03)
Total from investment activities	0.08	–	0.02	(0.01)	0.12	0.06
Distributions						
Net investment income	(0.03)	(0.04)	(0.05)	(0.06)	(0.09)	(0.11)
Net realized gain	–	–	–	–[2]	(0.01)	(0.04)
Total distributions	(0.03)	(0.04)	(0.05)	(0.06)	(0.10)	0.15
NET ASSET VALUE						
End of period	**$ 4.87**	**$ 4.82**	**$ 4.86**	**$ 4.89**	**$ 4.96**	**$ 4.94**

Ratios/Supplemental Data

Total return[3]	**1.58%**	**0.06%**	**0.39%**	**(0.12)%**	**2.43%**	**1.16%**
Ratio of total expenses to average net assets	0.95%[4]	0.95%	0.95%	0.95%	0.95%	0.95%
Ratio of net investment income to average net assets	0.82%[4]	0.62%	0.81%	0.65%	1.53%	1.87%
Portfolio turnover rate	35.8%	89.2%	117.0%	52.4%	64.3%	89.2%
Net assets, end of period (in thousands)	$ 8,853	$ 11,043	$ 8,224	$ 4,824	$ 2,258	$ 3,305

(1) Per share amounts calculated using average shares outstanding method.
(2) Amounts round to less than $0.01 per share.
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(4) Annualized

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

Portfolio of Investments‡

T. Rowe Price Limited-Term Bond Portfolio
June 30, 2016 (Unaudited)

(Amounts in 000s)

	Par/Shares	$ Value
CORPORATE BONDS 48.9%		
Financial Institutions 17.7%		
Banking 11.8%		
Bank of America 1.70%, 8/25/17	700	703
Bank of America 1.75%, 6/5/18	2,455	2,471
Bank of America 2.625%, 4/19/21	850	861
Bank of America 5.65%, 5/1/18	235	252
Bank of New York Mellon 2.50%, 4/15/21	750	775
Bank of Tokyo-Mitsubishi UFJ 2.15%, 9/14/18 (1)	1,010	1,021
Banque Federale Credit Mutuel 1.70%, 1/20/17 (1)	1,040	1,043
Banque Federale Credit Mutuel 2.00%, 4/12/19 (1)	690	696
Banque Federale Credit Mutuel 2.50%, 10/29/18 (1)	435	444
Barclays Bank 6.05%, 12/4/17 (1)	1,055	1,105
BB&T, VR 1.513%, 6/15/18	405	407
BPCE 1.625%, 2/10/17	250	251
BPCE 1.625%, 1/26/18	695	698
BPCE 2.50%, 12/10/18	1,435	1,464
Capital One Bank 1.15%, 11/21/16	500	500
Capital One National Association, 1.65%, 2/5/18	715	717
Citigroup 1.55%, 8/14/17	475	476
Citigroup 1.80%, 2/5/18	1,500	1,505
Citigroup 1.85%, 11/24/17	1,085	1,091
Citizens Bank 2.50%, 3/14/19	925	938
Citizens Bank 2.55%, 5/13/21	390	394
Credit Suisse New York 1.375%, 5/26/17	595	595

(Amounts in 000s)

	Par/Shares	$ Value
Discover Bank 2.00%, 2/21/18	250	251
Discover Bank 7.00%, 4/15/20	1,305	1,485
Discover Financial Services 6.45%, 6/12/17	655	682
DNB NOR Bank 3.20%, 4/3/17 (1)	1,095	1,111
Fifth Third Bank 1.15%, 11/18/16	375	375
Goldman Sachs 5.95%, 1/18/18	430	459
Goldman Sachs 6.15%, 4/1/18	2,360	2,543
HSBC Bank, VR 1.266%, 5/15/18 (1)	380	378
Huntington National Bank 2.20%, 11/6/18	995	1,007
JPMorgan Chase 2.00%, 8/15/17	1,880	1,898
JPMorgan Chase 2.25%, 1/23/20	800	810
Merrill Lynch 6.40%, 8/28/17	415	438
Merrill Lynch 6.875%, 4/25/18	185	202
Mizuho Bank 1.70%, 9/25/17 (1)	490	492
Morgan Stanley 2.125%, 4/25/18	2,000	2,017
Morgan Stanley, VR 1.488%, 1/24/19	1,960	1,955
Morgan Stanley, VR 1.918%, 4/25/18	435	438
National Australia Bank Limited, 1.875%, 7/23/18	1,315	1,332
National Bank of Canada 1.45%, 11/7/17	1,205	1,209
Nationwide Building Society 2.35%, 1/21/20 (1)	400	408
Nordea Bank Norge 1.875%, 9/17/18 (1)	1,040	1,052
PNC Bank 1.15%, 11/1/16	300	300
PNC Bank 1.30%, 10/3/16	325	325
Regions Bank 7.50%, 5/15/18	250	275

	Par/Shares	$ Value
(Amounts in 000s)		
Santander 2.00%, 8/24/18	1,345	1,347
Santander Bank 2.00%, 1/12/18	250	250
Standard Chartered 1.50%, 9/8/17 (1)	605	603
Sumitomo Mitsui Banking 1.95%, 7/23/18	500	505
Sumitomo Mitsui Trust Bank 1.80%, 3/28/18 (1)	1,010	1,015
SunTrust Banks 2.35%, 11/1/18	200	203
Swedbank 1.75%, 3/12/18 (1)	770	774
Toronto-Dominion Bank 1.75%, 7/23/18	1,050	1,061
Toronto-Dominion Bank 1.95%, 1/22/19	1,005	1,023
Toronto-Dominion Bank, VR 1.188%, 4/30/18	355	355
UBS Group Funding 2.95%, 9/24/20 (1)	1,015	1,037
Union Bank of California 2.125%, 6/16/17	470	474
Westpac Banking 1.05%, 11/25/16	265	265
		48,761
Brokerage Asset Managers Exchanges 0.2%		
Intercontinental Exchange 2.50%, 10/15/18	145	148
Intercontinental Exchange 2.75%, 12/1/20	760	796
Legg Mason 2.70%, 7/15/19	45	46
		990
Finance Companies 0.8%		
Aercap Ireland Capital Limted 3.95%, 2/1/22	785	781
GATX 1.25%, 3/4/17	1,140	1,139
GATX 2.375%, 7/30/18	80	80
GATX 2.60%, 3/30/20	645	638
GATX 3.50%, 7/15/16	566	566
		3,204

	Par/Shares	$ Value
(Amounts in 000s)		
Insurance 4.1%		
Aetna 1.50%, 11/15/17	250	251
Aetna 1.90%, 6/7/19	1,455	1,474
Aflac 2.65%, 2/15/17	95	96
AIA Group 2.25%, 3/11/19 (1)	200	203
Anthem 2.30%, 7/15/18	775	786
Anthem 2.375%, 2/15/17	1,575	1,587
AON 2.80%, 3/15/21	970	999
Fidelity National Financial 6.60%, 5/15/17	1,921	2,002
Humana 2.625%, 10/1/19	745	765
Marsh & McLennan Companies, 2.55%, 10/15/18	170	173
MetLife Global Funding I 1.50%, 1/10/18 (1)	1,250	1,257
Pricoa Global Funding I 1.90%, 9/21/18 (1)	1,360	1,379
Principal Financial Group 1.85%, 11/15/17	85	85
Principal Life Global Funding II, 1.50%, 9/11/17 (1)	200	201
Principal Life Global Funding II, 1.50%, 4/18/19 (1)	415	416
Principal Life Global Funding II, 2.20%, 4/8/20 (1)	1,545	1,568
Reinsurance Group of America 5.625%, 3/15/17	1,305	1,343
Reinsurance Group of America 6.45%, 11/15/19	210	239
Trinity Acquisition 3.50%, 9/15/21	255	265
UnitedHealth Group 1.45%, 7/17/17	1,540	1,547
XLIT 2.30%, 12/15/18	210	212
		16,848
Real Estate Investment Trusts 0.8%		
American Campus Communities Operating Partnership, 3.35%, 10/1/20	700	727

(Amounts in 000s)	Par/Shares	$ Value
Kimco Realty 6.875%, 10/1/19	150	173
Simon Property Group 2.80%, 1/30/17	500	503
Ventas Realty 1.25%, 4/17/17	95	95
Ventas Realty 2.00%, 2/15/18	500	503
Ventas Realty 4.00%, 4/30/19	85	90
WEA Finance 1.75%, 9/15/17 (1)	200	200
WEA Finance 2.70%, 9/17/19 (1)	865	883
		3,174
Total Financial Institutions		**72,977**
Industrial 29.3%		
Basic Industry 2.6%		
BHP Finance USA 1.625%, 2/24/17	80	80
BHP Finance USA 2.05%, 9/30/18	1,105	1,120
Ecolab 1.55%, 1/12/18	1,355	1,362
Ecolab 2.00%, 1/14/19	690	699
Ecolab 3.00%, 12/8/16	750	756
GoldCorp 2.125%, 3/15/18	725	724
Invista Finance 4.25%, 10/15/19 (1)	985	964
Kinross Gold 3.625%, 9/1/16	345	345
Praxair 2.25%, 9/24/20	1,810	1,873
Sherwin Williams 1.35%, 12/15/17	1,845	1,850
Solvay Finance 3.40%, 12/3/20 (1)	705	734
		10,507
Capital Goods 2.0%		
Danaher 1.65%, 9/15/18	3,510	3,564
Fortive 1.80%, 6/15/19 (1)	105	106

(Amounts in 000s)	Par/Shares	$ Value
Harris 1.999%, 4/27/18	1,140	1,145
Martin Marietta Material, VR 1.731%, 6/30/17	775	773
Precision Castparts 1.25%, 1/15/18	570	572
Roper Industries 2.05%, 10/1/18	1,935	1,958
Roper Technologies 3.00%, 12/15/20	150	155
		8,273
Communications 3.4%		
America Movil 2.375%, 9/8/16	280	281
AT&T 2.30%, 3/11/19	1,075	1,097
CC Holdings 2.381%, 12/15/17	1,095	1,109
Charter Communications Operating 3.579%, 7/23/20 (1)	800	836
Crown Castle International 3.40%, 2/15/21	600	627
Crown Castle Towers 6.113%, 1/15/40 (1)	1,190	1,319
Interpublic Group of Companies 2.25%, 11/15/17	1,060	1,067
McGraw Hill Financial 2.50%, 8/15/18	125	127
Omnicom Group 4.45%, 8/15/20	500	552
SBA Tower Trust 2.24%, 4/15/43 (1)	215	216
SBA Tower Trust 2.898%, 10/15/44 (1)	1,640	1,662
SBA Tower Trust 2.933%, 12/15/42 (1)	1,125	1,126
SBA Tower Trust 3.598%, 4/15/43 (1)	180	181
Time Warner Cable 5.85%, 5/1/17	105	109
Time Warner Cable 6.75%, 7/1/18	425	466
Time Warner Cable 8.25%, 4/1/19	1,180	1,370
Verizon Communications 1.35%, 6/9/17	1,750	1,755
		13,900

(Amounts in 000s)	Par/Shares	$ Value
Consumer Cyclical 7.1%		
Alibaba Group Holding 2.50%, 11/28/19	1,480	1,500
AutoZone 1.30%, 1/13/17	500	501
AutoZone 1.625%, 4/21/19	125	126
Brinker International 2.60%, 5/15/18	595	601
CVS Caremark 1.90%, 7/20/18	1,860	1,888
Daimler Finance 1.65%, 3/2/18 (1)	510	513
Daimler Finance 2.375%, 8/1/18 (1)	745	761
Daimler Finance, VR 1.497%, 8/1/18 (1)	295	295
Delphi Automotive 3.15%, 11/19/20	1,080	1,119
Dollar General 4.125%, 7/15/17	660	679
Experian Finance 2.375%, 6/15/17 (1)	215	216
Ford Motor Credit 1.684%, 9/8/17	1,255	1,257
Ford Motor Credit 2.021%, 5/3/19	430	433
Ford Motor Credit 3.00%, 6/12/17	2,465	2,499
General Motors Financial 3.10%, 1/15/19	145	148
General Motors Financial 3.15%, 1/15/20	745	753
General Motors Financial 4.75%, 8/15/17	1,645	1,707
GLP Capital 4.375%, 11/1/18	400	411
Hyundai Capital America 1.45%, 2/6/17 (1)	1,945	1,948
Hyundai Capital America 2.00%, 7/1/19 (1)	350	352
Hyundai Capital America 2.50%, 3/18/19 (1)	1,105	1,127
Hyundai Capital Services 3.50%, 9/13/17 (1)	200	205
Hyundai Capital Services 4.375%, 7/27/16 (1)	425	426
JD.com 3.125%, 4/29/21	2,080	2,045

(Amounts in 000s)	Par/Shares	$ Value
McDonald's 2.10%, 12/7/18	225	230
Nissan Motor Acceptance 1.95%, 9/12/17 (1)	825	832
PACCAR Financial 1.45%, 3/9/18	2,230	2,247
Toyota Motor Credit 1.55%, 7/13/18	1,040	1,051
Volkswagen Group America 1.25%, 5/23/17 (1)	1,000	998
Walgreens Boots Alliance 1.75%, 5/30/18	735	741
Wyndham Worldwide 2.95%, 3/1/17	1,565	1,578
		29,187
Consumer Non-Cyclical 7.9%		
AbbVie 1.75%, 11/6/17	1,645	1,656
AbbVie 1.80%, 5/14/18	910	916
AbbVie 2.30%, 5/14/21	640	645
Actavis Funding 2.35%, 3/12/18	1,080	1,094
Agilent Technologies 6.50%, 11/1/17	69	73
Allergan 1.875%, 10/1/17	685	688
Anheuser-Busch InBev Finance 1.90%, 2/1/19	1,700	1,729
Baxalta 2.00%, 6/22/18	95	95
Baxalta, VR 1.427%, 6/22/18	420	420
Biogen 2.90%, 9/15/20	445	464
Bunge Limited Finance 3.20%, 6/15/17	1,780	1,809
Bunge Limited Finance 3.50%, 11/24/20	380	398
Cardinal Health 1.90%, 6/15/17	1,320	1,329
Catholic Health Initiatives 1.60%, 11/1/17	50	50
Catholic Health Initiatives 2.60%, 8/1/18	230	235
Celgene 1.90%, 8/15/17	1,000	1,008
Celgene 2.30%, 8/15/18	1,610	1,640

(Amounts in 000s)	Par/Shares	$ Value
Express Scripts Holding 2.25%, 6/15/19	115	117
Express Scripts Holding 3.30%, 2/25/21	175	184
Heineken 1.40%, 10/1/17 (1)	1,000	1,005
Hershey 1.60%, 8/21/18	2,220	2,252
Imperial Tobacco Finance 2.05%, 2/11/18 (1)	1,245	1,256
Imperial Tobacco Finance 2.05%, 7/20/18 (1)	220	223
McKesson 1.292%, 3/10/17	1,000	1,002
Mead Johnson Nutrition 3.00%, 11/15/20	220	230
Medco Health Solutions 4.125%, 9/15/20	515	555
Medtronic 1.375%, 4/1/18	2,320	2,334
Newell Rubbermaid 2.05%, 12/1/17	510	514
Newell Rubbermaid 2.15%, 10/15/18	945	958
Newell Rubbermaid 2.60%, 3/29/19	1,240	1,272
Perrigo 1.30%, 11/8/16	480	480
Perrigo Finance 3.50%, 3/15/21	200	208
Philip Morris International 1.375%, 2/25/19	1,535	1,546
Reynolds American 2.30%, 6/12/18	425	432
Reynolds American 8.125%, 6/23/19	265	314
Takeda Pharmaceutical 1.625%, 3/17/17 (1)	1,233	1,238
Thermo Fisher Scientific 1.30%, 2/1/17	1,000	1,001
Tyson Foods 2.65%, 8/15/19	515	530
Whirlpool 1.35%, 3/1/17	105	105
Whirlpool 1.65%, 11/1/17	240	241
Wrigley 1.40%, 10/21/16 (1)	85	85
		32,331

(Amounts in 000s)	Par/Shares	$ Value
Energy 3.5%		
Anadarko Petroleum 6.375%, 9/15/17	550	579
BG Energy Capital 2.875%, 10/15/16 (1)	610	613
Cameron International 1.15%, 12/15/16	65	65
Cameron International 1.40%, 6/15/17	155	155
Canadian Natural Resources 1.75%, 1/15/18	310	306
Canadian Natural Resources 5.70%, 5/15/17	265	272
Columbia Pipeline Group 2.45%, 6/1/18	255	256
ConocoPhillips 1.05%, 12/15/17	540	537
ConocoPhillips 5.20%, 5/15/18	115	123
DCP Midstream Operating 2.50%, 12/1/17	465	456
Delek & Avner-Yam Tethys 2.803%, 12/30/16 (1)	125	125
Enbridge, VR 1.136%, 6/2/17	160	156
Enbridge, VR 1.275%, 10/1/16	555	553
Enbridge Energy Partners 5.875%, 12/15/16	330	335
Energy Transfer Partners 6.125%, 2/15/17	815	830
Energy Transfer Partners 6.70%, 7/1/18	130	138
Enterprise Products Operations, 2.55%, 10/15/19	15	15
Enterprise Products Operations, 2.85%, 4/15/21	205	211
ExxonMobil, VR 1.05%, 3/6/22	1,395	1,358
Hess 1.30%, 6/15/17	495	492
Kinder Morgan Energy Partners, 5.95%, 2/15/18	330	348
Kinder Morgan Energy Partners, 6.00%, 2/1/17	265	270
Kinder Morgan Finance 6.00%, 1/15/18 (1)	395	416
Marathon Oil 6.00%, 10/1/17	630	654

(Amounts in 000s)	Par/Shares	$ Value
Murphy Oil, VR 3.50%, 12/1/17	635	632
Nabors Industries 2.35%, 9/15/16	2,615	2,611
ONEOK Partners 3.20%, 9/15/18	25	25
Panhandle Eastern Pipeline 6.20%, 11/1/17	85	88
Pioneer Natural Resources 5.875%, 7/15/16	1,145	1,146
Rowan Companies 5.00%, 9/1/17	365	369
Spectra Energy Partners 2.95%, 9/25/18	135	138
Transocean, VR 6.80%, 12/15/16	165	168
		14,440
Industrial Other 0.3%		
Hutchinson Whampoa Finance 1.625%, 10/31/17 (1)	1,325	1,331
		1,331
Technology 1.5%		
Amphenol 1.55%, 9/15/17	100	100
Anstock II 2.125%, 7/24/17	200	200
Apple 1.70%, 2/22/19	515	524
Avnet Electronics 6.625%, 9/15/16	1,090	1,101
Baidu 2.75%, 6/9/19	1,005	1,023
Cisco Systems 1.60%, 2/28/19	50	51
Fidelity National Information Services, 1.45%, 6/5/17	130	130
HP Enterprise 2.45%, 10/5/17 (1)	1,980	2,005
Keysight Technologies 3.30%, 10/30/19	550	557
Tencent Holdings 2.00%, 5/2/17 (1)	245	246
Tencent Holdings 2.875%, 2/11/20 (1)	255	262
Xerox 2.95%, 3/15/17	80	81
		6,280

(Amounts in 000s)	Par/Shares	$ Value
Transportation 1.0%		
ERAC USA Finance 2.80%, 11/1/18 (1)	30	31
ERAC USA Finance 6.375%, 10/15/17 (1)	185	196
HPHT Finance 15 2.25%, 3/17/18 (1)	260	262
J.B. Hunt Transportation Services, 2.40%, 3/15/19	80	81
Kansas City Southern 2.35%, 5/15/20 (1)	285	273
Penske Truck Leasing 2.875%, 7/17/18 (1)	1,025	1,044
Penske Truck Leasing 3.375%, 3/15/18 (1)	355	363
Penske Truck Leasing 3.75%, 5/11/17 (1)	230	234
Southwest Airlines 2.75%, 11/6/19	320	331
Southwest Airlines 5.75%, 12/15/16	1,375	1,404
		4,219
Total Industrial		**120,468**
Utility 1.9%		
Electric 1.9%		
CMS Energy 6.55%, 7/17/17	1,050	1,107
Dominion Resources 2.125%, 2/15/18 (1)	1,125	1,125
Dominion Resources, STEP 2.962%, 7/1/19	240	245
Eversource Energy 1.60%, 1/15/18	415	417
Exelon 1.55%, 6/9/17	340	340
Exelon Generation 2.95%, 1/15/20	245	252
Monongahela Power 5.70%, 3/15/17 (1)	45	46
National Rural Utilities Cooperative Finance 1.65%, 2/8/19	275	278
NextEra Energy Capital Holdings, 2.30%, 4/1/19	285	290
Origin Energy Finance 3.50%, 10/9/18 (1)	705	710

(Amounts in 000s)	Par/Shares	$ Value
PPL Capital Funding 1.90%, 6/1/18	100	101
San Diego Gas & Electric 1.914%, 2/1/22	231	228
Southern Company 1.55%, 7/1/18	270	272
Southern Company 1.85%, 7/1/19	955	967
Southern Company 2.35%, 7/1/21	210	214
Southern Power 1.85%, 12/1/17	210	212
TECO Finance, VR 1.229%, 4/10/18	715	706
Zhejiang Provincial Energy 2.30%, 9/30/17	490	491
		8,001
Natural Gas 0.0%		
NiSource Finance 6.40%, 3/15/18	20	21
		21
Total Utility		**8,022**
Total Corporate Bonds (Cost $199,848)		**201,467**
ASSET-BACKED SECURITIES 21.0%		
Car Loan 12.0%		
Ally Auto Receivables Trust, Series 2012-A Class D 3.15%, 10/15/18 (1)	105	105
Ally Auto Receivables Trust, Series 2015-1 Class A4 1.75%, 5/15/20	175	177
Ally Master Owner Trust Series 2012-5, Class A 1.54%, 9/15/19	2,315	2,322
AmeriCredit Automobile Receivables Trust Series 2013-2, Class B 1.19%, 5/8/18	111	111
AmeriCredit Automobile Receivables Trust Series 2013-4, Class A3 0.96%, 4/9/18	14	14

(Amounts in 000s)	Par/Shares	$ Value
AmeriCredit Automobile Receivables Trust Series 2013-5, Class B 1.52%, 1/8/19	100	100
AmeriCredit Automobile Receivables Trust Series 2014-2, Class B 1.60%, 7/8/19	1,165	1,167
AmeriCredit Automobile Receivables Trust Series 2015-1, Class A3 1.26%, 11/8/19	875	875
AmeriCredit Automobile Receivables Trust Series 2015-2, Class A3 1.27%, 1/8/20	485	485
AmeriCredit Automobile Receivables Trust Series 2015-4, Class A3 1.70%, 7/8/20	380	382
AmeriCredit Automobile Receivables Trust Series 2016-1, Class A3 1.81%, 10/8/20	140	141
ARI Fleet Lease Trust Series 2014-A, Class A2 0.81%, 11/15/22 (1)	84	84
ARI Fleet Lease Trust Series 2015-A, Class A2 1.11%, 11/15/18 (1)	441	441
ARI Fleet Lease Trust Series 2015-A, Class A3 1.67%, 9/15/23 (1)	625	625
ARI Fleet Lease Trust Series 2016-A, Class A2 1.82%, 7/15/24 (1)	1,045	1,047
Capital Auto Receivables Asset Trust Series 2013-4, Class A3 1.09%, 3/20/18	612	613
Capital Auto Receivables Asset Trust Series 2014-1, Class A3 1.32%, 6/20/18	528	528
Capital Auto Receivables Asset Trust Series 2014-2, Class A3 1.26%, 5/21/18	335	335
Capital Auto Receivables Asset Trust Series 2014-3, Class A3 1.48%, 11/20/18	180	180

(Amounts in 000s)	Par/Shares	$ Value
Capital Auto Receivables Asset Trust Series 2015-2, Class A2 1.39%, 9/20/18	120	120
Capital Auto Receivables Asset Trust Series 2015-2, Class A3 1.73%, 9/20/19	250	252
Capital Auto Receivables Asset Trust Series 2015-3, Class A3 1.94%, 1/21/20	895	905
Capital Auto Receivables Asset Trust Series 2015-4, Class A2 1.62%, 3/20/19	580	581
Capital Auto Receivables Asset Trust Series 2016-1, Class A3 1.73%, 4/20/20	425	427
CarMax Auto Owner Trust Series 2012-3, Class A4 0.79%, 4/16/18	217	217
CarMax Auto Owner Trust Series 2013-2, Class A4 0.84%, 11/15/18	2,335	2,329
CarMax Auto Owner Trust Series 2014-1, Class B 1.69%, 8/15/19	35	35
CarMax Auto Owner Trust Series 2014-1, Class C 1.93%, 11/15/19	50	50
CarMax Auto Owner Trust Series 2014-4, Class A3 1.25%, 11/15/19	365	366
CarMax Auto Owner Trust Series 2014-4, Class A4 1.81%, 7/15/20	220	223
CarMax Auto Owner Trust Series 2015-1, Class A3 1.38%, 11/15/19	1,763	1,770
CarMax Auto Owner Trust Series 2015-2, Class A3 1.37%, 3/16/20	425	426
CarMax Auto Owner Trust Series 2016-1, Class A3 1.61%, 11/16/20	885	893
Enterprise Fleet Financing Series 2013-2, Class A2 1.06%, 3/20/19 (1)	38	38
Enterprise Fleet Financing Series 2014-1, Class A2 0.87%, 9/20/19 (1)	56	56
Enterprise Fleet Financing Series 2014-2, Class A2 1.05%, 3/20/20 (1)	296	296
Enterprise Fleet Financing Series 2015-1, Class A2 1.30%, 9/20/20 (1)	428	427
Enterprise Fleet Financing Series 2015-2, Class A2 1.59%, 2/22/21 (1)	1,139	1,140
Enterprise Fleet Financing Series 2016-1, Class A2 1.83%, 9/20/21 (1)	1,995	1,995
Exeter Auto Receivables Trust, Series 2014-2A Class A 1.06%, 8/15/18 (1)	5	5
Ford Credit Auto Lease Trust, Series 2014-B Class A4 1.10%, 11/15/17	140	140
Ford Credit Auto Owner Trust, Series 2014-C Class A3 1.06%, 5/15/19	416	417
Ford Credit Auto Owner Trust, Series 2015-B Class A3 1.16%, 11/15/19	880	882
Ford Credit Auto Owner Trust, Series 2015-C Class A3 1.41%, 2/15/20	1,180	1,187
Ford Credit Auto Owner Trust, Series 2016-A Class A3 1.39%, 7/15/20	310	312
Ford Credit Floorplan Master Owner Series 2014-1, Class A1 1.20%, 2/15/19	2,300	2,306
Ford Credit Floorplan Master Owner Series 2014-4, Class A1 1.40%, 8/15/19	660	661
Ford Credit Floorplan Master Owner Series 2015-1, Class A1 1.42%, 1/15/20	505	506

(Amounts in 000s)	Par/Shares	$ Value
GM Financial Automobile Lease, Series 2016-1 Class A3 1.64%, 7/20/19	1,080	1,089
GMF Floorplan Owner Revolving Trust Series 2015-1, Class A1 1.65%, 5/15/20 (1)	440	441
GMF Floorplan Owner Revolving Trust Series 2016-1, Class B 2.41%, 5/17/21 (1)	150	150
GMF Floorplan Owner Revolving Trust Series 2016-1, Class C 2.85%, 5/17/21 (1)	100	100
Honda Auto Receivables Owner Trust Series 2014-4, Class A3 0.99%, 9/17/18	328	328
Honda Auto Receivables Owner Trust Series 2015-1, Class A3 1.05%, 10/15/18	405	406
Hyundai Auto Lease Securitization Trust Series 2014-B, Class A4 1.26%, 9/17/18 (1)	225	225
Hyundai Auto Lease Securitization Trust Series 2015-A, Class A4 1.65%, 8/15/19 (1)	735	739
Hyundai Auto Lease Securitization Trust Series 2015-B, Class A3 1.40%, 11/15/18 (1)	805	808
Hyundai Auto Lease Securitization Trust Series 2016-A, Class A3 1.60%, 7/15/19 (1)	615	618
Hyundai Auto Lease Securitization Trust Series 2016-B, Class A3 1.52%, 10/15/19 (1)	255	256
Hyundai Auto Lease Securitization Trust Series 2016-B, Class A4 1.68%, 4/15/20 (1)	100	100
Hyundai Auto Receivables Trust, Series 2013-A Class A4 0.75%, 9/17/18	193	193

(Amounts in 000s)	Par/Shares	$ Value
Hyundai Auto Receivables Trust, Series 2015-A Class A3 1.05%, 4/15/19	695	696
Hyundai Auto Receivables Trust, Series 2016-A Class A3 1.56%, 9/15/20	105	106
Mercedes-Benz Auto Lease Trust, Class 2015-A Series A3 1.10%, 8/15/17	1,227	1,228
Mercedes-Benz Auto Lease Trust, Series 2016-A Class A3 1.52%, 3/15/19	705	706
Mercedes-Benz Auto Receivables Trust Series 2015-1, Class A3 1.34%, 12/16/19	725	729
Motor, Series 2014-1A Class A1, VR 0.933%, 8/25/21 (1)	17	17
Nissan Auto Lease Trust Series 2015-A, Class A3 1.40%, 6/15/18	1,435	1,440
Nissan Auto Receivables Owner Trust Series 2013-A, Class A4 0.75%, 7/15/19	333	333
Nissan Auto Receivables Owner Trust Series 2013-B, Class A4 1.31%, 10/15/19	2,300	2,306
Nissan Auto Receivables Owner Trust Series 2015-B, Class A3 1.34%, 3/16/20	725	730
Nissan Auto Receivables Owner Trust Series 2016-A, Class A3 1.34%, 10/15/20	530	533
Nissan Master Owner Trust Receivables Series 2015-A, Class A2 1.44%, 1/15/20	480	482
Smart Trust Australia Series 2013-2US Class A4A 1.18%, 2/14/19	1,041	1,038

(Amounts in 000s)	Par/Shares	$ Value
Smart Trust Australia Series 2014-1US Class A3A 0.95%, 2/14/18	175	175
Smart Trust Australia Series 2015-1US Class A2A 0.99%, 8/14/17	106	106
Smart Trust Australia Series 2015-3US Class A3A 1.66%, 8/14/19	935	935
Suntrust Auto Receivables Trust, Series 2015-1A Class A3 1.42%, 9/16/19 (1)	1,435	1,438
Toyota Auto Receivables Owner Trust Series 2015-C, Class A4 1.69%, 12/15/20	490	495
Volkswagen Auto Lease Trust, Series 2014-A Class A3 0.80%, 4/20/17	197	197
Volkswagen Auto Loan Enhanced Trust, Series 2014-2, Class A4 1.39%, 5/20/21	345	344
Volkswagen Credit Auto Master Trust Series 2014-1A, Class A2 1.40%, 7/22/19 (1)	315	313
Wheels, Series 2014-1A Class A2 0.84%, 3/20/23 (1)	70	70
Wheels, Series 2015-1A Class A2 1.27%, 4/22/24 (1)	335	335
World Omni Auto Lease Securitization Series 2014-A, Class A4 1.37%, 1/15/20	150	150
World Omni Auto Lease Securitization Series 2015-A, Class A3 1.34%, 5/15/20	190	191
		49,240

(Amounts in 000s)	Par/Shares	$ Value
Credit Card 3.8%		
American Express Credit Account Master Trust Series 2014-2, Class A 1.26%, 1/15/20	150	151
Bank of America Credit Card Trust Series 2014-A2, Class A VR, 0.712%, 9/16/19	860	861
Barclays Dryrock Issuance Trust, Series 2014-2 Class A, VR 0.782%, 3/16/20	395	395
Barclays Dryrock Issuance Trust, Series 2015-2 Class A 1.56%, 3/15/21	1,455	1,466
Cabela's Credit Card Master Trust Series 2012-1A, Class A1 1.63%, 2/18/20 (1)	2,300	2,308
Cabela's Credit Card Master Trust Series 2014-1, Class A VR, 0.792%, 3/16/20	135	134
Capital One Multi-Asset Execution Trust Series 2015-A1, Class A 1.39%, 1/15/21	705	710
Discover Card Master Trust I, Series 2014-A5 Class A 1.39%, 4/15/20	350	352
Discover Card Master Trust I, Series 2015-A3 Class A 1.45%, 3/15/21	1,490	1,505
Discover Card Master Trust I, Series 2016-A1 Class A1 1.64%, 7/15/21	2,195	2,224
GE Capital Credit Card Master Note Trust Series 2012-6, Class A 1.36%, 8/17/20	2,315	2,321
Synchrony Credit Card Master Note Trust Series 2013-1, Class B 1.69%, 3/15/21	515	515

(Amounts in 000s)	Par/Shares	$ Value
Synchrony Credit Card Master Note Trust Series 2014-1, Class A 1.61%, 11/15/20	775	780
Synchrony Credit Card Master Note Trust Series 2015-2, Class A 1.60%, 4/15/21	1,860	1,867
		15,589
Home Equity 0.0%		
Nationstar Home Equity Loan Trust Series 2016-1A, Class A 2.981%, 2/25/26 (1)	141	142
		142
Other Asset-Backed Securities 4.9%		
Ascentium Equipment Receivables Series 2015-1A, Class A2 1.15%, 7/10/17 (1)	59	59
Ascentium Equipment Receivables Series 2015-2A, Class A3 1.93%, 3/11/19 (1)	1,200	1,203
CCG Receivables Trust Series 2014-1, Class A2 1.06%, 11/15/21 (1)	74	74
CCG Receivables Trust Series 2015-1, Class A2 1.46%, 11/14/18 (1)	1,450	1,451
CCG Receivables Trust Series 2016-1, Class A2 1.69%, 9/14/22 (1)	320	321
CNH Equipment Trust Series 2013-C, Class A3 1.02%, 8/15/18	229	229
CNH Equipment Trust Series 2014-C, Class A3 1.05%, 11/15/19	183	183
CNH Equipment Trust Series 2015-B, Class A3 1.37%, 7/15/20	720	722
CNH Equipment Trust Series 2016-A, Class A3 1.48%, 4/15/21	1,245	1,250
DB Master Finance Series 2015-1A, Class A2I 3.262%, 2/20/45 (1)	765	772

(Amounts in 000s)	Par/Shares	$ Value
Diamond Resorts Owner Trust, Series 2013-2 Class A 2.27%, 5/20/26 (1)	176	176
Diamond Resorts Owner Trust, Series 2014-1 Class A 2.54%, 5/20/27 (1)	198	199
Diamond Resorts Owner Trust, Series 2015-1 Class A 2.73%, 7/20/27 (1)	191	192
Diamond Resorts Owner Trust, Series 2015-2 Class A 2.99%, 5/22/28 (1)	330	335
Elara HGV Timeshare Issuer, Series 2014-A Class A 2.53%, 2/25/27 (1)	66	66
GE Dealer Floorplan Master Note Trust Series 2014-2 Class A, VR 0.898%, 10/20/19	260	260
GE Equipment Small Ticket, Series 2014-1A Class A3 0.95%, 9/25/17 (1)	228	227
GreatAmerica Leasing Receivables Series 2014-1, Class A3 0.89%, 7/15/17 (1)	122	122
GreatAmerica Leasing Receivables Series 2016-1, Class A3 1.73%, 6/20/19 (1)	1,235	1,234
Hilton Grand Vacation Trust, Series 2014-AA Class A 1.77%, 11/25/26 (1)	1,266	1,247
John Deere Owner Trust Series 2015-A, Class A3 1.32%, 6/17/19	200	201
John Deere Owner Trust Series 2015-A, Class A4 1.65%, 12/15/21	1,359	1,368
John Deere Owner Trust Series 2015-B, Class A3 1.44%, 10/15/19	870	873

(Amounts in 000s)	Par/Shares	$ Value
John Deere Owner Trust Series 2016-A, Class A3 1.36%, 4/15/20	615	617
Kubota Credit Owner Trust, Series 2015-1A Class A3 1.54%, 3/15/19 (1)	690	693
Lanark Master Issuer Series 2013-1A Class 1A1, CMO, VR 1.154%, 12/22/54 (1)	319	319
Marriott Vacation Club Owner Trust Series 2013-1A, Class A 2.15%, 4/22/30 (1)	843	837
Marriott Vacation Club Owner Trust Series 2014-1A, Class A 2.25%, 9/22/31 (1)	92	91
Marriott Vacation Club Owner Trust Series 2015-1A, Class A 2.52%, 12/20/32 (1)	717	716
MMAF Equipment Finance, Series 2014-AA Class A3 0.87%, 1/8/19 (1)	630	629
MMAF Equipment Finance, Series 2015-AA Class A3 1.39%, 10/16/19 (1)	275	275
MMAF Equipment Finance, Series 2016-AA Class A3 1.48%, 6/15/20 (1)	405	406
OneMain Financial Issuance Trust Series 2016-1A, Class A 3.66%, 2/20/29 (1)	315	322
OneMain Financial Issuance Trust Series 2016-2A, Class A 4.10%, 3/20/28 (1)	335	345
Sierra Receivables Funding Series 2014-2A, Class A 2.05%, 6/20/31 (1)	56	56
Sierra Receivables Funding Series 2014-3A, Class A 2.30%, 10/20/31 (1)	152	153
Sierra Receivables Funding Series 2015-1A, Class A 2.40%, 3/22/32 (1)	325	325
Sierra Receivables Funding Series 2015-2A, Class A 2.43%, 6/20/32 (1)	323	326
Sierra Receivables Funding Series 2015-3A, Class A 2.58%, 9/20/32 (1)	126	127
Volvo Financial Equipment Series 2016-1A, Class A3 1.67%, 2/18/20 (1)	310	310
Wendy's Funding Series 2015-1A, Class A2I 3.371%, 6/15/45 (1)	997	1,003
		20,314
Student Loan 0.2%		
SLM Student Loan Trust Series 2008-4, Class A4 VR, 2.288%, 7/25/22	100	100
SLM Student Loan Trust Series 2008-5, Class A4 VR, 2.338%, 7/25/23	489	489
SLM Student Loan Trust Series 2008-9, Class A VR, 2.138%, 4/25/23	341	341
		930
Whole Business 0.1%		
Dominos Pizza Master Issuer, Series 2012-1A Class A2 5.216%, 1/25/42 (1)	384	395
		395
Total Asset-Backed Securities (Cost $86,391)		**86,610**

NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 10.3%

(Amounts in 000s)	Par/Shares	$ Value
Collateralized Mortgage Obligations 2.0%		
Bank of America Mortgage Securities, Series 2004-A Class 2A2, CMO, ARM 2.948%, 2/25/34	25	24
Connecticut Avenue Securities, Series 2014-C04, Class 2M1, CMO ARM, 2.553%, 11/25/24	61	61

(Amounts in 000s)	Par/Shares	$ Value
Connecticut Avenue Securities, Series 2015-C03, Class 1M1, CMO ARM, 1.953%, 7/25/25	183	184
Connecticut Avenue Securities, Series 2015-C03, Class 2M1, CMO ARM, 1.953%, 7/25/25	424	426
Connecticut Avenue Securities, Series 2016-C01, Class 2M1, CMO ARM, 2.553%, 8/25/28	1,062	1,066
Connecticut Avenue Securities, Series 2016-C02, Class 1M1, CMO ARM, 2.603%, 9/25/28	172	174
GS Mortgage-Backed Securities Trust Series 2014-EB1A Class 2A1, CMO, ARM 2.492%, 7/25/44 (1)	123	124
Structured Agency Credit Risk Debt Notes Series 2014-HQ2 Class M1, CMO, ARM 1.903%, 9/25/24	140	141
Structured Agency Credit Risk Debt Notes Series 2014-HQ3 Class M1, CMO, ARM 2.103%, 10/25/24	2	2
Structured Agency Credit Risk Debt Notes Series 2015-DNA1 Class M1, CMO, ARM 1.353%, 10/25/27	304	304
Structured Agency Credit Risk Debt Notes Series 2015-DNA2 Class M1, CMO, ARM 1.603%, 12/25/27	218	219
Structured Agency Credit Risk Debt Notes Series 2015-DNA3 Class M1, CMO, ARM 1.803%, 4/25/28	765	766
Structured Agency Credit Risk Debt Notes Series 2015-HQ2 Class M1, CMO, ARM 1.553%, 5/25/25	194	194

(Amounts in 000s)	Par/Shares	$ Value
Structured Agency Credit Risk Debt Notes Series 2015-HQA1 Class M1, CMO, ARM 1.703%, 3/25/28	312	312
Structured Agency Credit Risk Debt Notes Series 2015-HQA2 Class M1, CMO, ARM 1.603%, 5/25/28	304	304
Structured Agency Credit Risk Debt Notes Series 2016-DNA1 Class M1, CMO, ARM 1.903%, 7/25/28	951	954
Structured Agency Credit Risk Debt Notes Series 2016-HQA1 Class M1, CMO, ARM 2.203%, 9/25/28	244	245
Towd Point Mortgage Trust, Series 2015-4 Class A1B, CMO, ARM 2.75%, 4/25/55 (1)	823	833
Towd Point Mortgage Trust, Series 2015-5 Class A1B, CMO, ARM 2.75%, 5/25/55 (1)	665	673
Towd Point Mortgage Trust, Series 2016-1 Class A1B, CMO, ARM 2.75%, 2/25/55 (1)	413	418
Towd Point Mortgage Trust, Series 2016-1 Class A3B, CMO, ARM 3.00%, 2/25/55 (1)	491	497
Towd Point Mortgage Trust, Series 2016-2 Class A1A, CMO, ARM 2.75%, 8/25/55 (1)	290	294
WAMU Mortgage PTC Series 2005-AR12 Class 2A1, CMO, ARM 2.677%, 9/25/35	20	19
Wells Fargo Mortgage Backed Securities Trust Series 2004-G, Class A3 CMO, ARM 3.012%, 6/25/34	12	12
		8,246

(Amounts in 000s)	Par/Shares	$ Value
Commercial Mortgage-Backed Securities 8.2%		
Banc of America Commercial Mortgage Series 2006-5, Class AM 5.448%, 9/10/47	20	20
Banc of America Commercial Mortgage Series 2007-4, Class AM ARM, 6.00%, 2/10/51	15	16
Bank of America Merrill Large Loan Series 2014-IP Class A, ARM 2.808%, 6/15/28 (1)	865	880
Citigroup Commercial Mortgage Trust Series 2013-GC15 Class A1 1.378%, 9/10/46	235	236
Citigroup Commercial Mortgage Trust Series 2013-GC17 Class A1 1.102%, 11/10/46	273	273
Citigroup Commercial Mortgage Trust Series 2014-GC19 Class A1 1.199%, 3/10/47	87	87
Citigroup Commercial Mortgage Trust Series 2014-GC21 Class A1 1.242%, 5/10/47	130	130
Citigroup Commercial Mortgage Trust Series 2014-GC25 Class A1 1.485%, 10/10/47	31	32
Citigroup Commercial Mortgage Trust Series 2015-GC27 Class A1 1.353%, 2/10/48	336	337
Citigroup Commercial Mortgage Trust Series 2015-GC31 Class A1 1.637%, 6/10/48	494	498

(Amounts in 000s)	Par/Shares	$ Value
Citigroup Commercial Mortgage Trust Series 2015-GC33 Class A1 1.643%, 9/10/58	891	899
Citigroup/Deutsche Bank Commercial Mortgage Series 2007-CD4 Class A4 5.322%, 12/11/49	914	924
Commercial Mortgage PTC Series 2014-CR15 Class A1 1.218%, 2/10/47	363	363
Commercial Mortgage PTC Series 2014-CR17 Class A1 1.275%, 5/10/47	103	103
Commercial Mortgage PTC Series 2014-CR19 Class A1 1.415%, 8/10/47	115	116
Commercial Mortgage PTC Series 2014-CR20 Class A1 1.324%, 11/10/47	40	41
Commercial Mortgage PTC Series 2014-CR21 Class A1 1.494%, 12/10/47	79	79
Commercial Mortgage PTC Series 2014-LC15 Class A1 1.259%, 4/10/47	155	155
Commercial Mortgage PTC Series 2014-LC17 Class A1 1.381%, 10/10/47	66	67
Commercial Mortgage PTC Series 2014-TSC Class A, ARM 1.285%, 2/13/32 (1)	130	129
Commercial Mortgage PTC Series 2014-UBS2 Class A1 1.298%, 3/10/47	129	130
Commercial Mortgage PTC Series 2014-UBS4 Class A1 1.309%, 8/10/47	20	20

(Amounts in 000s)	Par/Shares	$ Value
Commercial Mortgage PTC Series 2014-UBS5 Class A1 1.373%, 9/10/47	196	197
Commercial Mortgage PTC Series 2014-UBS6 Class A1 1.445%, 12/10/47	161	162
Commercial Mortgage PTC Series 2015-CR22 Class A1 1.569%, 3/10/48	135	136
Commercial Mortgage PTC Series 2015-CR24 Class A1 1.652%, 8/10/55	325	328
Commercial Mortgage PTC Series 2015-CR26 Class A1 1.604%, 10/10/48	2,096	2,111
Commercial Mortgage PTC Series 2015-LC23 Class A2 3.221%, 10/10/53	1,025	1,087
Commercial Mortgage PTC Series 2015-PC1 Class A1 1.667%, 7/10/50	663	669
Commercial Mortgage PTC Series 2016-CR28 Class A1 1.77%, 2/10/49	283	287
CSAIL Commercial Mortgage Trust Series 2015-C1, Class A1 1.684%, 4/15/50	216	216
CSAIL Commercial Mortgage Trust Series 2015-C2, Class A1 1.454%, 6/15/57	918	922
CSAIL Commercial Mortgage Trust Series 2015-C3, Class A1 1.717%, 8/15/48	214	215
CSAIL Commercial Mortgage Trust Series 2016-C5, Class A1 1.747%, 11/15/48	293	294

(Amounts in 000s)	Par/Shares	$ Value
Goldman Sachs Mortgage Securities Corp. II Series 2014-GC20 Class A1 1.343%, 4/10/47	217	217
Goldman Sachs Mortgage Securities Corp. II Series 2014-GC22 Class A1 1.29%, 6/10/47	111	112
Goldman Sachs Mortgage Securities Trust Series 2014-GC24 Class A1 1.509%, 9/10/47	178	179
Goldman Sachs Mortgage Securities Trust Series 2015-GC28 Class A1 1.528%, 2/10/48	625	628
Goldman Sachs Mortgage Securities Trust Series 2015-GC32 Class A1 1.593%, 7/10/48	219	221
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C19 Class A1 1.266%, 4/15/47	119	119
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C22 Class A1 1.451%, 9/15/47	36	36
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C23 Class A1 1.65%, 9/15/47	76	77
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C24 Class A1 1.539%, 11/15/47	24	24

(Amounts in 000s)	Par/Shares	$ Value
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C26 Class A1 1.596%, 1/15/48	457	460
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C27 Class A1 1.414%, 2/15/48	525	526
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C28 Class A1 1.445%, 10/15/48	494	495
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C29 Class A1 1.626%, 5/15/48	235	237
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C30 Class A1 1.738%, 7/15/48	898	906
JPMorgan Chase Commercial Mortgage Securities, Series 2006-LDP7, Class AM, ARM 6.184%, 4/17/45	620	619
JPMorgan Chase Commercial Mortgage Securities, Series 2006-LDP8, Class A1A 5.397%, 5/15/45	105	105
JPMorgan Chase Commercial Mortgage Securities, Series 2006-LDP9, Class A3 5.336%, 5/15/47	1,070	1,079
JPMorgan Chase Commercial Mortgage Securities, Series 2007-CB18, Class A4 5.44%, 6/12/47	1,110	1,127

(Amounts in 000s)	Par/Shares	$ Value
JPMorgan Chase Commercial Mortgage Securities, Series 2014-C20, Class A1 1.268%, 7/15/47	102	102
LB-UBS Commercial Mortgage Trust, Series 2004-C1, Class A4 4.568%, 1/15/31	7	7
LB-UBS Commercial Mortgage Trust Series 2007-C2 Class AM, ARM 5.493%, 2/15/40	1,110	1,126
Merrill Lynch Mortgage Trust, Series 2006-C2 Class AM, ARM 5.782%, 8/12/43	94	94
ML-CFC Commercial Mortgage Trust Series 2007-6, Class A4 ARM, 5.485%, 3/12/51	1,200	1,219
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C14 Class A1 1.25%, 2/15/47	90	90
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C16 Class A1 1.294%, 6/15/47	82	82
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C17 Class A1 1.551%, 8/15/47	36	36
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C18 Class A1 1.686%, 10/15/47	80	81
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C19 Class A1 1.573%, 12/15/47	288	290
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C24 Class A1 1.706%, 5/15/48	329	332

(Amounts in 000s)	Par/Shares	$ Value
Morgan Stanley Capital I Series 2007-IQ15 Class A4, ARM 6.102%, 6/11/49	856	888
Morgan Stanley Capital I Series 2015-MS1 Class A1 1.638%, 5/15/48	343	346
Wachovia Bank Commercial Mortgage Trust, Series 2007-C34 Class A3 5.678%, 5/15/46	1,237	1,274
Wells Fargo Commercial Mortgage Trust Series 2013-LC12 Class A1 1.676%, 7/15/46	2,019	2,034
Wells Fargo Commercial Mortgage Trust Series 2014-LC18 Class A1 1.437%, 12/15/47	348	349
Wells Fargo Commercial Mortgage Trust Series 2015-C26 Class A1 1.454%, 2/15/48	381	382
Wells Fargo Commercial Mortgage Trust Series 2015-C27 Class A1 1.73%, 2/15/48	729	735
Wells Fargo Commercial Mortgage Trust Series 2015-C28 Class A1 1.531%, 5/15/48	272	273
Wells Fargo Commercial Mortgage Trust Series 2015-LC20 Class A1 1.471%, 4/15/50	270	271
Wells Fargo Commercial Mortgage Trust Series 2015-NXS1 Class A1 1.342%, 5/15/48	212	212
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2 Class A2 3.02%, 7/15/58	640	670

(Amounts in 000s)	Par/Shares	$ Value
Wells Fargo Commercial Mortgage Trust Series 2016-C32, Class A 1.577%, 1/15/59	966	973
WF-RBS Commercial Mortgage Trust Series 2013-C15 Class A1 1.264%, 8/15/46	136	136
WF-RBS Commercial Mortgage Trust Series 2013-UBS1 Class A1 1.122%, 3/15/46	60	60
WF-RBS Commercial Mortgage Trust Series 2014-C20 Class A1 1.283%, 5/15/47	193	194
WF-RBS Commercial Mortgage Trust Series 2014-C21 Class A1 1.413%, 8/15/47	89	90
WF-RBS Commercial Mortgage Trust Series 2014-C22 Class A1 1.479%, 9/15/57	109	110
WF-RBS Commercial Mortgage Trust Series 2014-C23 Class A1 1.663%, 10/15/57	1,958	1,976
WF-RBS Commercial Mortgage Trust Series 2014-LC14 Class A1 1.193%, 3/15/47	128	128
		33,886
Home Equity 0.1%		
BankBoston Home Equity Loan Trust, Series 1998-2, Class A6, ARM 6.64%, 12/25/28	38	38
Chase Funding Mortgage Loan, Series 2002-4 Class 2A1, ARM 1.193%, 10/25/32	22	21

(Amounts in 000s)	Par/Shares	$ Value
Nationstar Home Equity Loan Trust, Series 2016-2A, Class A 2.239%, 6/25/26 (1)	340	340
Residential Asset Mortgage Products, Series 2003-RZ2, Class A1, CMO ARM, 4.10%, 4/25/33	16	16
		415
Total Non-U.S. Government Mortgage-Backed Securities (Cost $42,776)		**42,547**
U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 12.0%		
U.S. Government Agency Obligations 11.0% (2)		
Federal Home Loan Mortgage		
1.369%, 5/25/19	213	214
1.426%, 8/25/17	355	356
2.059%, 3/25/20	534	543
3.50%, 3/1/46	1,725	1,843
4.00%, 8/1/26 - 9/1/44	448	478
5.00%, 10/1/18 - 7/1/25	258	276
5.50%, 4/1/23 - 10/1/38	62	67
6.00%, 4/1/17 - 1/1/38	374	425
Federal Home Loan Mortgage, ARM		
2.341%, 9/1/35	23	24
2.375%, 7/1/38	32	34
2.52%, 7/1/35	14	15
2.581%, 1/1/36	52	55
2.598%, 1/1/36	3	3
2.664%, 1/1/37	8	8
2.676%, 2/1/37	25	26
2.681%, 2/1/35	32	34
2.75%, 4/1/37	48	51
2.769%, 10/1/36	86	92
2.775%, 11/1/35	9	9
2.777%, 6/1/38	76	81
2.849%, 5/1/38	42	45
2.917%, 5/1/37	28	29
3.172%, 2/1/38	59	62
5.821%, 10/1/36	11	12
6.08%, 11/1/36	6	6
Federal Home Loan Mortgage CMO, 4.00%, 11/15/36	250	269
Federal National Mortgage Assn.		
3.00%, 1/1/27 - 9/1/30	5,362	5,651

(Amounts in 000s)	Par/Shares	$ Value
3.50%, 11/1/26 - 3/1/46	8,715	9,241
4.00%, 5/1/24 - 12/1/45	8,340	8,940
4.50%, 6/1/19 - 12/1/45	5,298	5,728
5.00%, 7/1/19 - 10/1/41	4,462	4,949
5.50%, 1/1/17 - 7/1/41	2,017	2,267
6.00%, 9/1/21 - 4/1/40	1,796	2,052
6.50%, 7/1- 12/1/32	213	254
Federal National Mortgage Assn., ARM		
2.236%, 12/1/35	4	4
2.429%, 12/1/35	17	17
2.61%, 9/1/37	50	52
2.645%, 12/1/35	8	8
2.659%, 7/1/35	12	13
2.662%, 1/1/34	30	32
2.699%, 7/1/36	51	54
2.75%, 8/1/38	22	23
2.767%, 12/1/35	5	6
2.913%, 5/1/38	55	58
2.915%, 12/1/36	26	28
2.955%, 4/1/38	43	45
2.97%, 5/1/38	77	81
5.865%, 9/1/36	2	2
Federal National Mortgage Assn., TBA 2.50%, 1/1/27	965	998
		45,560
U.S. Government Obligations 1.0%		
Government National Mortgage Assn.		
3.50%, 3/20/43	193	206
4.00%, 2/20/44 - 12/20/45	1,292	1,379
5.00%, 12/20/34 - 3/20/41	993	1,107
5.50%, 2/20/34	1,147	1,287
		3,979
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $48,950)		**49,539**
U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 6.0%		
U.S. Treasury Obligations 6.0%		
U.S. Treasury Notes 0.75%, 1/31/18	1,745	1,750
U.S. Treasury Notes 0.875%, 11/15/17	7,135	7,165
U.S. Treasury Notes 0.875%, 5/31/18	4,160	4,183

(Amounts in 000s)

	Par/Shares	$ Value
U.S. Treasury Notes 0.875%, 7/15/18	1,935	1,946
U.S. Treasury Notes 0.875%, 10/15/18 (5)	4,580	4,605
U.S. Treasury Notes 1.375%, 5/31/21	3,395	3,457
U.S. Treasury Notes 1.75%, 9/30/19	1,660	1,712
		24,818
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost $24,646)		**24,818**
FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 0.7%		
Owned No Guarantee 0.7%		
CNOOC Finance 2014 1.625%, 4/30/17	200	201
Electricite de France 1.15%, 1/20/17 (1)	410	410
Korea National Oil 4.00%, 10/27/16 (1)	230	232
Petroleos Mexicanos 3.125%, 1/23/19	60	60
Petroleos Mexicanos 3.50%, 7/18/18	175	177
Petroleos Mexicanos 3.50%, 7/23/20	220	220
Shenhua Overseas Capital 2.50%, 1/20/18	705	709
Shenhua Overseas Capital 3.125%, 1/20/20	930	952
		2,961
Total Foreign Government Obligations & Municipalities (Cost $2,927)		**2,961**
MUNICIPAL SECURITIES 0.4%		
California 0.1%		
Univ. of California Regents Series Y-1, 0.957%, 7/1/41 (Tender 7/1/17)	150	150
		150

(Amounts in 000s)

	Par/Shares	$ Value
Florida 0.3%		
Florida State Board of Administration Fin. Corp. Hurricane Catastrophe Fund Series A, 1.298%, 7/1/16	400	400
Florida State Board of Administration Fin. Corp. Series A, 2.163%, 7/1/19	840	862
		1,262
Total Municipal Securities (Cost $1,390)		**1,412**
SHORT-TERM INVESTMENTS 0.9%		
MONEY MARKET FUNDS 0.9%		
T. Rowe Price Reserve Investment Fund 0.32% (3)(4)	3,448	3,448
Total Short-Term Investments (Cost $3,448)		**3,448**
Total Investments in Securities		
100.2% of Net Assets (Cost $410,376)		**$ 412,802**

‡ Par/Shares are denominated in U.S. dollars unless otherwise noted.

(1) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $79,347 and represents 19.3% of net assets.

(2) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.

(3) Seven-day yield

(4) Affiliated Company

(5) At June 30, 2016, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.

ARM Adjustable Rate Mortgage

CMO Collateralized Mortgage Obligation

PTC Pass-Through Certificate

STEP Stepped coupon bond for which the coupon rate of interest adjusts on specified date(s).

TBA To Be Announced purchase commitment; TBAs totaled $998 (0.2% of net assets) at period-end - see Note 4.

VR Variable Rate; rate shown is effective rate at period-end.

(Amounts in 000s, except market price)

SWAPS 0.0%

	Notional Amount	Market Value	Upfront Premiums Paid/(Received)	Unrealized Gain (Loss)
BILATERAL SWAPS 0.0%				
Credit Default Swaps, Protection Sold 0.0%				
JPMorgan Chase, Protection Sold (Relevant Credit: Humana, 6.30% 8/1/18, $109.36*), Receive 1.00% Pay upon credit default, 12/20/18	340	$ 7	$ 1	$ 6
Total Bilateral Credit Default Swaps, Protection Sold			**1**	**6**
Total Bilateral Swaps			**$ 1**	**$ 6**

***Market price at June 30, 2016**

Futures Contracts

($000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Long, 6 U.S. Treasury Notes five year contracts	9/16	$ 733	$ 1
Short, 54 U.S. Treasury Notes ten year contracts	9/16	(7,181)	(143)
Long, 125 U.S. Treasury Notes two year contracts	9/16	27,416	154
Net payments (receipts) of variation margin to date			10
Variation margin receivable (payable) on open futures contracts			$ 22

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2016. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/16	Value 12/31/15
T. Rowe Price Reserve Investment Fund	¤	¤	$ 12	$ 3,448	$ 12,412
Totals			$ 12	$ 3,448	$ 12,412

¤Purchase and sale information not shown for cash management funds.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 3,448
Dividend income	12
Interest income	-
Investment income	$ 12
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual funds	$ -

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

Statement of Assets and Liabilities

T. Rowe Price Limited-Term Bond Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets	
Investments in securities, at value (cost $410,376)	$ 412,802
Interest receivable	1,696
Receivable for investment securities sold	619
Receivable for shares sold	28
Variation margin receivable on futures contracts	22
Unrealized gain on bilateral swaps	6
Bilateral swap premiums paid	1
Total assets	415,174
Liabilities	
Payable for investment securities purchased	2,936
Investment management and administrative fees payable	292
Payable for shares redeemed	124
Total liabilities	3,352
NET ASSETS	**$ 411,822**
Net Assets Consist of:	
Overdistributed net investment income	$ (575)
Accumulated undistributed net realized loss	(1,487)
Net unrealized gain	2,444
Paid-in capital applicable to 84,289,898 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized	411,440
NET ASSETS	**$ 411,822**
NET ASSET VALUE PER SHARE	
Limited-Term Bond Class ($402,968,840 / 82,470,529 shares outstanding)	**$ 4.89**
Limited-Term Bond - II Class ($8,853,245 / 1,819,369 shares outstanding)	**$ 4.87**

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

Statement of Operations

T. Rowe Price Limited-Term Bond Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Income	
Interest	$ 3,733
Dividend	12
Other	1
Total income	3,746
Expenses	
Investment management and administrative expense	1,484
Rule 12b-1 fees - Limited-Term Bond-II Class	11
Total expenses	1,495
Net investment income	2,251
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	(116)
Futures	(244)
Swaps	2
Net realized loss	(358)
Change in net unrealized gain / loss	
Securities	5,180
Futures	3
Swaps	(1)
Change in net unrealized gain / loss	5,182
Net realized and unrealized gain / loss	4,824
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 7,075**

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

Statement of Changes in Net Assets

T. Rowe Price Limited-Term Bond Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 2,251	$ 2,755
Net realized loss	(358)	(172)
Change in net unrealized gain / loss	5,182	(2,178)
Increase in net assets from operations	7,075	405
Distributions to shareholders		
Net investment income		
Limited-Term Bond Class	(2,776)	(3,699)
Limited-Term Bond-II Class	(50)	(91)
Decrease in net assets from distributions	(2,826)	(3,790)
Capital share transactions*		
Shares sold		
Limited-Term Bond Class	39,218	273,482
Limited-Term Bond-II Class	1,970	15,789
Distributions reinvested		
Limited-Term Bond Class	2,736	3,732
Limited-Term Bond-II Class	49	92
Shares redeemed		
Limited-Term Bond Class	(63,266)	(115,724)
Limited-Term Bond-II Class	(4,302)	(12,977)
Increase (decrease) in net assets from capital share transactions	(23,595)	164,394
Net Assets		
Increase (decrease) during period	(19,346)	161,009
Beginning of period	431,168	270,159
End of period	**$ 411,822**	**$ 431,168**
Undistributed (overdistributed) net investment income	(575)	–
*Share information		
Shares sold		
Limited-Term Bond Class	8,076	56,158
Limited-Term Bond-II Class	408	3,257
Distributions reinvested		
Limited-Term Bond Class	563	766
Limited-Term Bond-II Class	10	19
Shares redeemed		
Limited-Term Bond Class	(13,019)	(23,759)
Limited-Term Bond-II Class	(891)	(2,676)
Increase (decrease) in shares outstanding	(4,853)	33,765

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

T. Rowe Price Fixed Income Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The Limited-Term Bond Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks a high level of income consistent with moderate fluctuations in principal value. The fund has two classes of shares: the Limited-Term Bond Portfolio original share class (Limited-Term Bond Class), incepted on May 13, 1994, and the Limited-Term Bond Portfolio–II (Limited-Term Bond–II Class), incepted on March 31, 2005. Limited-Term Bond–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions, if any, are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Income distributions are declared by each class daily and paid monthly. Distributions to shareholders are recorded on the ex-dividend date. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting Investment income and investment management and administrative expense are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares. Limited-Term Bond–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

NOTE 2 - VALUATION

The fund's financial instruments are valued and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with

GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Debt securities generally are traded in the over-the-counter (OTC) market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service. Generally, debt securities are categorized in Level 2 of the fair value hierarchy; however, to the extent the valuations include significant unobservable inputs, the securities would be categorized in Level 3.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Financial futures contracts are valued at closing settlement prices and are categorized in Level 1 of the fair value hierarchy. Swaps are valued at prices furnished by independent swap dealers or by an independent pricing service and generally are categorized in Level 2 of the fair value hierarchy; however, if unobservable inputs are significant to the valuation, the swap would be categorized in Level 3. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of troubled or thinly traded debt instruments, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as a discount or premium from market value of a similar, freely traded security of the same issuer; discounted cash flows; yield to maturity; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2016:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ –	$ 409,354	$ –	$ 409,354
Short-Term Investments	3,448	–	–	3,448
Total Securities	3,448	409,354	–	412,802
Swaps	–	7	–	7
Futures Contracts	22	–	–	22
Total	$ 3,470	$ 409,361	$ –	$ 412,831

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2016.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2016, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust portfolio duration and credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral.

The following table summarizes the fair value of the fund's derivative instruments held as of June 30, 2016, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

($000s)	Location on Statement of Assets and Liabilities	Fair Value
Assets		
Interest rate derivatives	Futures*	$ 155
Credit derivatives	Bilateral Swaps, and Premiums	7
Total		$ 162
Liabilities		
Interest rate derivatives	Futures*	$ 143

*The fair value presented includes cumulative gain (loss) on open futures contracts; however, the value reflected on the accompanying Statement of Assets and Liabilities is only the unsettled variation margin receivable (payable) at that date.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2016, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations		
	Futures	Swaps	Total
Realized Gain (Loss)			
Interest rate derivatives	$ (244)	$ –	$ (244)
Credit derivatives	–	2	2
Total	$ (244)	$ 2	$ (242)
Change in Unrealized Gain (Loss)			
Interest rate derivatives	$ 3	$ –	$ 3
Credit derivatives	–	(1)	(1)
Total	$ 3	$ (1)	$ 2

Counterparty Risk and Collateral The fund invests in derivatives in various markets, which expose it to differing levels of counterparty risk. Counterparty risk on exchange-traded and centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps, is minimal because the clearinghouse provides protection against counterparty defaults. For futures and centrally cleared swaps, the fund is required to deposit collateral in an amount equal to a certain percentage of the contract value (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearing broker, in its sole discretion, may adjust the margin requirements applicable to the fund.

Derivatives, such as bilateral swaps, forward currency exchange contracts, and OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives) expose the fund to greater counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also provide collateral agreements. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs govern the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow net settlement in the event of contract termination and permit termination by either party prior to maturity upon the occurrence of certain stated events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate while a decline in the fund's net assets of more than a certain percentage would allow the counterparty to terminate. Upon termination, all bilateral derivatives with that counterparty would be liquidated and a net amount settled. ISDAs typically include collateral agreements whereas FX letters do not. Collateral requirements are determined based on the net aggregate unrealized gain or loss on all bilateral derivatives with each counterparty, subject to minimum transfer amounts that typically range from $100,000 to $250,000. Any additional collateral required due to changes in security values is transferred the next business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash and currencies posted by the fund are reflected as cash deposits in the accompanying financial statements and generally are restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account by the fund's custodian. As of June 30, 2016, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2016, securities valued at $50,000 had been posted by the fund for exchange-traded and/or centrally cleared derivatives.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rate and yield curve movements, security prices, foreign currencies, credit quality, and mortgage prepayments; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust portfolio duration and credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset, and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the six months ended June 30, 2016, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 2% and 8% of net assets.

Swaps The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; or to adjust portfolio duration and credit exposure. Swap agreements can be settled either directly with the counterparty (bilateral swap) or through a central clearinghouse (centrally cleared swap). Fluctuations in the fair value of a contract are reflected in unrealized gain or loss and are reclassified to realized gain or loss upon contract termination or cash settlement. Net periodic receipts or payments required by a contract increase or decrease, respectively, the value of the contract until the contractual payment date, at which time such amounts are reclassified from unrealized to realized gain or loss. For bilateral swaps, cash payments are made or received by the fund on a periodic basis in accordance with contract terms; unrealized gain on contracts and premiums paid are reflected as assets and unrealized loss on contracts and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. For centrally cleared swaps, payments are made or received by the fund each day to settle the daily fluctuation in the value of the contract (variation margin). Accordingly, the value of a centrally cleared swap included in net assets is the unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative weighting of the affected underlying security(ies) within the index. Generally, the payment risk for the seller of protection is inversely related to the current market price or credit rating of the underlying credit or the market value of the contract relative to the notional amount, which are indicators of the markets' valuation of credit quality. As of June 30, 2016, the notional amount of protection sold by the fund totaled $340,000 (0.1% of net assets), which reflects the maximum potential amount the fund could be required to pay under such contracts. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future credit-worthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

During the six months ended June 30, 2016, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

TBA Purchase and Sale Commitments The fund may enter into to-be-announced (TBA) purchase or sale commitments, pursuant to which it agrees to purchase or sell, respectively, mortgage-backed securities for a fixed unit price, with payment and delivery at a scheduled future date beyond the customary settlement period for such securities. With TBA transactions, the particular securities to be delivered are not identified at the trade date; however, delivered securities must meet specified terms, including issuer, rate, and mortgage term, and be within industry-accepted "good delivery" standards. The fund may enter into TBA purchase transactions with the intention of taking possession of the underlying securities, may elect to extend the settlement by "rolling" the transaction, and/or may use TBAs to gain interim exposure to underlying securities. Until settlement, the fund maintains liquid assets sufficient to settle its TBA commitments.

To mitigate counterparty risk, the fund has entered into agreements with TBA counterparties that provide for collateral and the right to offset amounts due to or from those counterparties under specified conditions. Subject to minimum transfer amounts, collateral requirements are determined and transfers made based on the net aggregate unrealized gain or loss on all TBA commitments with a particular counterparty. At any time, the fund's risk of loss from a particular counterparty related to its TBA commitments is the aggregate unrealized gain on appreciated TBAs in excess of unrealized loss on depreciated TBAs and collateral received, if any, from such counterparty. As of June 30, 2016, no collateral was pledged by the fund or counterparties for TBAs.

Mortgage-Backed Securities The fund may invest in mortgage-backed securities (MBS or pass-through certificates) that represent an interest in a pool of specific underlying mortgage loans and entitle the fund to the periodic payments of principal and interest from those mortgages. MBS may be issued by government agencies or corporations, or private issuers. Most MBS issued by government agencies are guaranteed; however, the degree of protection differs based on the issuer. MBS are sensitive to changes in economic conditions that affect the rate of prepayments and defaults on the underlying mortgages; accordingly, the value, income, and related cash flows from MBS may be more volatile than other debt instruments.

Other Purchases and sales of portfolio securities other than short-term and U.S. government securities aggregated $74,735,000 and $55,153,000, respectively, for the six months ended June 30, 2016. Purchases and sales of U.S. government securities aggregated $75,212,000 and $112,462,000, respectively, for the six months ended June 30, 2016.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. As of December 31, 2015, the fund had $1,087,000 of available capital loss carryforwards.

At June 30, 2016, the cost of investments for federal income tax purposes was $410,402,000. Net unrealized gain aggregated $2,418,000 at period-end, of which $3,410,000 related to appreciated investments and $992,000 related to depreciated investments.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.70% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

The fund may invest in the T. Rowe Price Reserve Investment Fund, the T. Rowe Price Government Reserve Investment Fund, or the T. Rowe Price Short-Term Reserve Fund (collectively, the Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve Investment Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. The Price Reserve Investment Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund

The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-, 5-, and 10-year periods, and compared these returns with a wide variety of comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Fees

The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio (for the Original Class and II Class) in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses, and the total expense ratio was equal to the all-inclusive management fee rate. The information provided to the Board indicated that the fund's management fee rate and total expense ratio (for both classes) were above the median for comparable funds.

Approval of Investment Management Agreement (continued)

The Board also reviewed the fee schedules for institutional accounts (including subadvised mutual funds) and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business differ from those of the Advisor's proprietary mutual fund business. The Board considered information showing that the Advisor's proprietary mutual fund business is generally more complex from a business and compliance perspective than its institutional account business, and considered various other relevant factors, including the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its proprietary mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for another institutional account and the degree to which the Advisor performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract
As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

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T. Rowe Price
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

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June 30, 2016

Semiannual Report

Personal Strategy Balanced Portfolio

T.RowePrice®
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This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Personal Strategy Balanced Portfolio

Highlights

- U.S. stocks ended a rocky first half of 2016 slightly higher, as global markets showed signs of recovery following an initial sell-off after the UK voted to leave the European Union (commonly referred to as Brexit). Emerging markets stocks rose as risk appetite rebounded, but developed markets stocks outside the U.S. retreated.
- U.S. investment-grade bonds posted a solid gain over the period, while high yield bonds have rallied in more recent months. Non-U.S. dollar-denominated debt surged as yields on developed world sovereign debt plunged after Brexit on safe-haven demand and the euro and yen strengthened against the U.S. dollar. Emerging markets debt performed strongly.
- The Personal Strategy Balanced Portfolio returned 2.47% for the six months ended June 30, 2016, underperforming its combined index portfolio and Lipper peer group average.
- The surge in market volatility associated with the Brexit vote highlights the importance of portfolio diversification. While our global growth expectations for the next several quarters are modest, we believe that the Personal Strategy Balanced Portfolio's broadly diversified holdings can serve as ballast for investors in times of market uncertainty.

Dear Investor

U.S. stocks rose in the first half of 2016, a turbulent period for global financial markets that culminated in the UK's decision to leave the European Union. Stocks in international markets declined amid steep losses across Europe after the Brexit vote, though emerging markets stocks rose as risk sentiment improved. In fixed income, U.S. investment-grade bonds rose as Treasuries rallied, driven by sluggish global growth, accommodative monetary policies worldwide, and comments from the Federal Reserve signaling a fewer-than-expected number of interest rate increases this year. High yield bonds advanced as commodity prices rebounded, led by an upturn in oil prices from 13-year lows in February. Within international markets, non-U.S. dollar-denominated debt surged as investors sought safe-haven assets after the Brexit vote and the euro and yen strengthened against the U.S. dollar. Emerging markets bonds rallied as their added yield over Treasuries drew strong investor demand.

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
Personal Strategy Balanced Portfolio	2.47%
Morningstar Moderate Target Risk Index	4.60
Combined Index Portfolio*	3.12
Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	2.87

*For a definition of the benchmark, please see the glossary.

In this unsettled environment, the Personal Strategy Balanced Portfolio returned 2.47% for the six months ended June 30, 2016, slightly trailing the 3.12% return of its combined index portfolio and the 2.87% average of its Lipper peer group.

Security selection detracted from performance against the combined index portfolio. Selection in the portfolio's U.S. large-cap stocks detracted the most from relative returns, due to unfavorable stock selection in our U.S. growth and value strategies. Conversely, selection in non-U.S. developed and emerging markets lifted relative performance. Among the portfolio's fixed income holdings, security selection in emerging markets and U.S. investment-grade bonds were also positive contributors to relative returns, while high yield debt modestly detracted.

On the other hand, the inclusion of diversifying sectors not included in the portfolio's broad fixed income and equity benchmarks helped relative performance. Our exposure to real assets equities—which have weighed on recent periods' performance amid a commodities downturn starting in 2014—benefited performance as oil, metal, and agricultural commodity prices rallied. Our allocation to high yield debt also benefited from the commodities upswing as it lifted the outlook for the natural resources companies that comprise a large proportion of the high yield market. An allocation to non-U.S. dollar developed markets debt helped relative results as investors sought safe-haven assets after the Brexit vote, driving the yields on some European and Japanese government debt into negative territory. Finally, our exposure to emerging markets bonds helped as relatively higher rates in many developing countries, combined with forecasts for slower U.S. interest rate hikes, drew yield-seeking investors, generating good returns for dollar-denominated emerging markets debt.

Tactical decisions to overweight and underweight asset classes also boosted relative performance. While we remain neutral between equities and fixed income, our preference for bonds over cash contributed to relative performance. Additionally, our overweight to emerging markets relative to developed markets stocks proved helpful, as China-focused concerns receded and the Fed signaled that it would proceed cautiously in raising interest rates, spurring risk appetite. However, our decision to underweight real assets relative to global equities hurt returns as the commodities rebound starting in February lifted real assets prices.

Market Environment

The S&P 500 Index added 3.84% in the first half of 2016, but the advance belied considerable turmoil over the period. Stocks and oil prices dropped in the first six weeks of the year as investors worried about a worldwide recession resulting from China's economic slowdown and a global oversupply of oil, but they turned around starting in February after concerns about the oil glut receded and the Fed reduced its expectations for interest rate increases this year. The June 23 Brexit vote derailed the U.S. market's advance, causing a two-day global stock sell-off and considerable volatility in the currency market. However, stocks rallied in the last three days of June, pushing the major domestic stock indices into positive territory for the year.

Major Index Returns

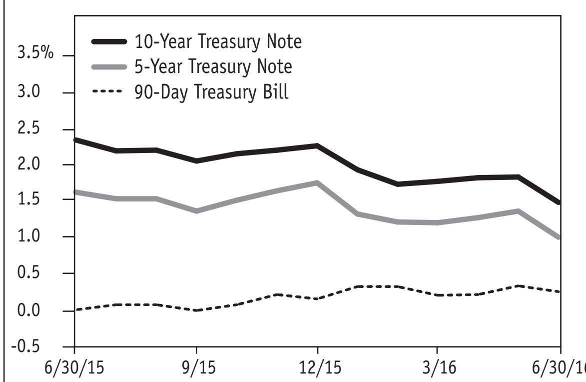
Six-Month Period Ended 6/30/16	
S&P 500 Index	3.84%
MSCI All Country World Index ex USA	-0.67
MSCI Emerging Markets Index	6.60
Barclays U.S. Aggregate Bond Index	5.31
Citigroup 3-Month Treasury Bill Index	0.12
Credit Suisse High Yield Index	9.30

Note: Unlike stocks and bonds, U.S. Treasuries are guaranteed as to the timely payment of principal and interest.

Stocks in developed European markets fell as uneven global growth, slowdowns in several emerging markets, and Brexit-induced uncertainty weighed on the region's outlook. Annual economic growth in the eurozone edged up 1.7% in the first quarter, though the Brexit vote caused many private economists to reduce their European and global growth forecasts for next year. European Central Bank (ECB) officials warned that Brexit would hurt the eurozone's recovery but signaled that fresh stimulus measures were unlikely after the ECB already expanded its stimulus program in March. Japanese stocks retreated as the country's economy stayed weak despite more than three years of sustained stimulus. Japan's economy rebounded in this year's first quarter after contracting in the final quarter of 2015, but the tenuous recovery led the government to delay a long-planned sales tax increase until 2019.

Emerging markets stocks advanced as the commodities rally brightened the outlook for commodity exporters in the developing world and China stepped up efforts to cushion its economy from a slowdown, though Brazil and Russia remained in recession. Most emerging markets currencies strengthened against the dollar over the past six months, reversing earlier declines that had pushed currencies in many developing countries to record lows early this year.

Interest Rate Levels



Source: Federal Reserve Board.

U.S. investment-grade bonds rose. Intermediate- and long-term bond prices rose and interest rates tumbled as the Fed refrained from raising short-term rates due to mixed economic data, global risks to the U.S. economy, and continued low inflation. Long-term Treasuries surged as investors fled to safety after the Brexit decision, pushing the yield on the benchmark 10-year note down to a near-record low at the end of June. Treasuries also benefited from strong foreign demand for U.S. government debt, which offered relatively higher yields compared with the negative-yielding sovereign bonds in many developed countries. High yield bonds outpaced investment-grade debt as credit spreads narrowed and the rally in oil and other commodities lifted bonds issued by natural resources companies.

Non-U.S. dollar bonds in developed markets performed strongly as investors piled into safe-haven debt amid weakening global growth expectations and tame inflation. Bond yields in Europe and Japan fell due to expansive monetary policies and near-zero inflation in each market. At the end of June, Brexit-induced uncertainty drove bond yields in many developed countries deeper into negative territory. The euro appreciated slightly and the yen surged roughly 17% against the dollar over the period, lifting returns for U.S.-based investors. Dollar-denominated emerging markets debt also generated positive returns as their relatively high yields and reduced expectations for Fed rate hikes attracted strong investor demand.

Portfolio Review and Positioning

The investment objective of the Personal Strategy Balanced Portfolio is to generate the highest total return consistent with an equal emphasis on both income and capital appreciation. The portfolio's typical asset mix is 60% stocks and 40% bonds, cash, and money market securities, although allocations can vary by as much as 10 percentage points above or below these levels. At the end of our reporting period, the portfolio's target allocation to equities and fixed income was 60% and 40%, respectively, which is unchanged from six months ago.

Asset Allocation

The Personal Strategy Balanced Portfolio has the ability to overweight or underweight allocations to asset classes or sub-asset classes based on the views of the T. Rowe Price Asset Allocation Committee. The committee meets monthly to evaluate economic, market, and earnings trends, among other factors, and to look for opportunities over a 6- to 18- month investment horizon. Relative value is an important consideration in evaluating which segments to overweight or underweight. We typically seek to overweight segments of the market that we believe are attractively valued and underweight areas that are more richly valued.

Several years of strong performance have reduced the number of compelling investment opportunities, with valuations at or above fair value in many asset classes. Given current valuation levels as well as economic, market, and geopolitical uncertainties, we are positioned near neutral across several market segments although we are still finding opportunities in select areas.

As of June 30, 2016, we are neutral between stocks and bonds. Corporate earnings growth has contracted while stock markets have rebounded from two downturns in the past six months, leaving valuations above their historical averages. As for bonds, we expect modest returns given that the current low-yield environment offers a weak foundation for future returns, as well as the potential for capital losses should interest rates increase. Monetary policies of global central banks are expected to stay accommodative for some time, which should temper downside risks to bonds. Additionally, we believe that the pace of U.S. interest rate increases will be gradual due to subdued economic growth and that strong demand for U.S. bonds should help restrain a rise in long-term yields.

Stocks

Security selection in U.S. large-cap growth and value stocks detracted significantly from relative performance. Health care companies were large detractors as the sector faced a range of concerns, including criticism over drug pricing practices, heightened political scrutiny of corporate tax inversions, and profit taking following strong performance in 2015. Notable detractors included **Alexion Pharmaceuticals**, **Allergan**, and **Valeant Pharmaceuticals**. On the other hand, stocks that contributed to performance included technology leaders **Amazon.com** and **Facebook**, whose shares surged to record levels on surprisingly strong earnings and forecasts. Utilities also helped returns as investors sought out stable, defensive companies that pay high dividend yields. **PG&E**, **AES**, and **CenterPoint Energy** were among the portfolio's biggest contributors. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Portfolio Overview

	Percent of Net Assets 6/30/16
Reserves	4.2%
Bonds	36.9%
Stocks	58.9%
Largest Stock Holdings	
Amazon.com	1.6%
Alphabet	1.1
Microsoft	0.9
Facebook	0.8
GE	0.7
Danaher	0.7
Priceline	0.7
Philip Morris International	0.7
JPMorgan Chase	0.6
Tyson Foods	0.6

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

We favor international over U.S. stocks given valuations and an environment of supportive monetary policy, though we reduced our international stock overweight in June to reflect reduced global growth expectations and its impact on lower earnings growth. The Brexit vote will likely weigh on corporate and consumer spending in Europe as well as its trading partners and has raised the prospect that other member countries will seek to exit the bloc. Furthermore, low and negative bond yields in many countries after Brexit have highlighted concerns about credit growth and profitability for developed markets banks.

We favor emerging over developed markets stocks, though we recently pared our overweight following a rally in emerging markets assets early this year. While emerging markets stock valuations remain below long-term historical averages relative to developed markets, sluggish global trade and ongoing oversupply in certain commodities remain near-term risks. Additionally, ongoing weakness for most commodities will likely weigh on resource-dependent economies, although services and consumption-driven countries will benefit from lower prices.

We increased our underweight in real assets relative to global equities early this year after a rally in energy and metals stocks, and we remain underweight given our cautious outlook for energy and commodity prices. As for real estate investment trusts (REITs), we believe that fundamentals for REITs in developed markets remain mostly favorable. REIT valuations are vulnerable to rising interest rates but should perform well if the Fed increases interest rates at a gradual pace.

We favor U.S. large-cap over small-cap stocks, but we steadily reduced our small-cap underweight after protracted underperformance in small-caps brought their relative valuations closer to historical averages. Although relative valuations are now more attractive, heightened market volatility and expectations for weaker earnings growth still represent headwinds for small-cap stocks. We favor U.S. growth over value stocks. After starting the year neutral between the two, we increased our overweight to growth stocks at period-end based on more attractive valuations and our expectations for a protracted low-growth environment. Growth sectors tend to depend less on the level of economic growth and have historically outperformed when growth is scarce, while value sectors such as energy and financials tend to rely more on a stronger economy, higher interest rates, and commodity demand.

Bonds

Our allocations to diversifying sectors that are not included in the portfolio's broad fixed income benchmarks helped relative returns over the period. Our exposure to non-U.S. dollar international developed debt lifted relative returns as yields fell in Europe and Japan amid aggressive monetary stimulus and negative-rate policies in each market. Our emerging markets bonds allocation helped as relatively higher rates in many developing countries attracted yield-seeking investors. High yield debt also contributed to relative performance as the oil and commodities rally lifted the securities of energy and natural resources companies that comprise a large proportion of high yield issuers.

We made a number of adjustments to our high yield bonds allocation. We moved from a modest underweight allocation late last year as risks in the high yield market increased, taking an overweight position as credit spreads widened to levels that have historically signaled a favorable long-term buying opportunity. We recently pared our high yield allocation back to neutral following a rally in high yield fueled by a rebound in commodity prices affecting a large proportion of high yield bond issuers.

We are currently neutral between emerging markets and U.S. investment-grade bonds. We moved to a modest overweight given valuation opportunities as risk assets sold off earlier in the year; however, we trimmed our allocation back to neutral following strong performance. Emerging markets bonds appear fairly valued in the current environment, though weak global trade, low commodity prices, and country-specific risks still pose risks to the asset class. Finally, we are neutral between nondollar and U.S. investment-grade bonds given that prospects for the U.S. dollar versus other developed markets currencies appear balanced. Diminished expectations for near-term Fed rate hikes after Brexit will likely restrain the dollar's strength, though the U.S.'s relatively high rates should support the currency.

Outlook

Increased global uncertainty following Brexit has weighed on our global growth expectations, which remain modest for the next several quarters. The U.S. and other developed market economies are expanding at a subdued pace, while major emerging economies are struggling with weak growth. Monetary policy around the world is showing signs of convergence, with central banks in Europe, the UK, and Japan expected to expand stimulus measures given low growth as well as to contain potential Brexit-related risks. Meanwhile, the Fed is not expected to start normalizing interest rates until December at the earliest. Risks to our outlook include heightened instability within Europe, unforeseen global monetary policy actions, and greater currency volatility. The rise of populism around the world, and its harmful impact on trade, is another risk to global growth that has increased following the Brexit vote.

The U.S. economy is gradually improving thanks to solid private sector demand, an improving job market, and rising wages. However, our outlook for overseas developed markets is more cautious. Brexit has increased the likelihood that other countries will challenge their inclusion in the European Union, raising the near-term growth risks for the region. Even before Brexit, Europe was struggling with structural problems such as high debt, persistent low inflation, and high unemployment. Growth remains fragile in Japan, which is still trying to overcome weak consumption and deflationary pressures despite more than three years of Abenomics. The yen's surge this year has created another headwind by increasing pressure on Japan's exports and making it harder for the Bank of Japan to reach its 2% inflation target.

Our emerging markets outlook is also mixed given the disparity in fiscal conditions across the developing world. Russia and Brazil are both in recession, although this year's commodities rebound and low interest rates globally should help support them in the near term. Looking ahead, China will continue to exert an outsize influence on investor sentiment. Given China's importance to the world economy, how its government manages the country's slowest growth in 25 years will have significant repercussions on commodity prices, trade, and the pace of global growth.

We anticipate greater volatility in global financial markets in the coming months following the recent uptick in political uncertainty and our subdued growth expectations. In this uncertain environment, we believe that the Personal Strategy Balanced Portfolio's broad diversification combined with T. Rowe Price's longstanding strengths in fundamental research should help us generate solid, long-term returns for our shareholders.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Charles Shriver
Portfolio manager and chairman of the portfolio's Investment Advisory Committee

July 19, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the portfolio's investment program.

Risks of Investing

As with all stock and bond mutual funds, each fund's share price can fall because of weakness in the stock or bond markets, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance even in rising markets.

Bonds are subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates, and credit risk, the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal), potentially reducing the fund's income level and share price. High yield corporate bonds could have greater price declines than funds that invest primarily in high-quality bonds. Companies issuing high yield bonds are not as strong financially as those with higher credit ratings, so the bonds are usually considered speculative investments.

Funds that invest overseas may carry more risk than funds that invest strictly in U.S. assets. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Barclays U.S. Aggregate Bond Index: An unmanaged index that tracks investment-grade bonds, including corporate, government, and mortgage-backed securities.

Citigroup 3-Month Treasury Bill Index: An unmanaged index that tracks short-term U.S. government debt instruments.

Glossary (continued)

Combined index portfolio: Unmanaged portfolio composed of the following underlying indexes as of June 30, 2016:

- *Personal Strategy Balanced*—60% stocks (42% Russell 3000 Index, 18% MSCI All Country World Index ex USA), 30% bonds (Barclays U.S. Aggregate Bond Index), and 10% money market securities (Citigroup 3-Month Treasury Bill Index).

Credit Suisse High Yield Index: Tracks the performance of domestic noninvestment-grade corporate bonds.

Federal funds rate (or target rate): The interest rate charged on overnight loans of reserves by one financial institution to another in the United States. The Federal Reserve sets a target federal funds rate to affect the direction of interest rates.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

Morningstar Moderate Target Risk Index: Represents a portfolio of global equities (fixed at 60%), bonds, and other asset classes.

MSCI All Country World Index ex USA: An index that measures equity market performance of developed and emerging countries, excluding the U.S.

MSCI Emerging Markets Index: A capitalization-weighted index of stocks from emerging market countries that only includes securities that may be traded by foreign investors.

Russell 3000 Index: An index that tracks the performance of the 3,000 largest U.S. companies, representing approximately 98% of the investable U.S. equity market.

S&P 500 Index: An index that tracks the stocks of 500 primarily large-cap U.S. companies.

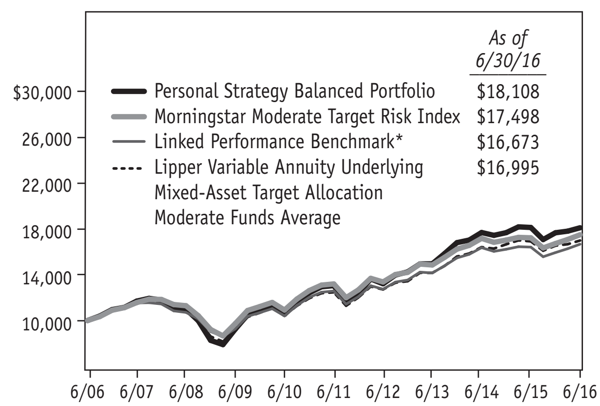
Performance and Expenses

T. Rowe Price Personal Strategy Balanced Portfolio

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Personal Strategy Balanced Portfolio



*The linked performance benchmark reflects the performance of the Merrill Lynch-Wilshire Capital Market Index to 6/30/09 and the performance of the Morningstar Moderate Target Risk Index from 7/1/09 forward.

Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
Personal Strategy Balanced Portfolio	-0.14%	6.77%	6.12%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Actual Expenses

The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. 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. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Personal Strategy Balanced Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Actual	$1,000.00	$1,024.70	$3.88
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.03	3.87

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.77%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period.

Financial Highlights

T. Rowe Price Personal Strategy Balanced Portfolio
(Unaudited)

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 18.73	$ 20.56	$ 21.33	$ 19.55	$ 17.80	$ 18.24
Investment activities						
Net investment income[1]	0.15[2]	0.34[2]	0.33[2]	0.31[2]	0.35[2]	0.37[2]
Net realized and unrealized gain / loss	0.31	(0.35)	0.75	3.15	2.33	(0.43)
Total from investment activities	0.46	(0.01)	1.08	3.46	2.68	(0.06)
Distributions						
Net investment income	(0.16)	(0.36)	(0.36)	(0.32)	(0.38)	(0.38)
Net realized gain	–	(1.46)	(1.49)	(1.36)	(0.55)	–
Total distributions	(0.16)	(1.82)	(1.85)	(1.68)	(0.93)	(0.38)
NET ASSET VALUE						
End of period	**$ 19.03**	**$ 18.73**	**$ 20.56**	**$ 21.33**	**$ 19.55**	**$ 17.80**

Ratios/Supplemental Data

Total return[3]	**2.47%[2]**	**(0.05)%[2]**	**5.20%[2]**	**17.93%[2]**	**15.14%[2]**	**(0.32)%[2]**
Ratio of total expenses to average net assets	0.77%[2][4]	0.77%[2]	0.77%[2]	0.77%[2]	0.77%[2]	0.79%[2]
Ratio of net investment income to average net assets	1.63%[2][4]	1.66%[2]	1.51%[2]	1.47%[2]	1.82%[2]	2.00%[2]
Portfolio turnover rate	42.7%	71.5%	62.1%	57.4%	58.1%	58.0%
Net assets, end of period (in thousands)	$ 161,475	$ 163,344	$ 188,404	$ 182,514	$ 159,271	$ 142,400

(1) Per share amounts calculated using average shares outstanding method.

(2) See Note 6. Excludes expenses permanently waived 0.13%, 0.13%, 0.13%, 0.13%, 0.13%, and 0.11%, of average net assets for the six months ended 6/30/16 and the years ended 12/31/15, 12/31/14, 12/31/13, 12/31/12, and 12/31/11, respectively related to investments in T. Rowe Price mutual funds.

(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.

(4) Annualized

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

Portfolio of Investments‡

T. Rowe Price Personal Strategy Balanced Portfolio
June 30, 2016 (Unaudited)

	Shares/Par	$ Value
(Cost and value in $000s)		
COMMON STOCKS 52.4%		
Consumer Discretionary 8.2%		
Auto Components 0.6%		
Aisin Seiki (JPY)	2,100	85
Autoliv, GDR (SEK)(1)	1,001	107
Delphi Automotive	1,587	99
Gentex	580	9
Gentherm (2)	740	25
GKN (GBP)	34,627	125
Horizon Global (2)	86	1
Johnson Controls	7,910	350
Koito Manufacturing (JPY)	1,000	46
Strattec Security	70	3
Sumitomo Rubber Industries (JPY)	6,100	81
		931
Automobiles 0.6%		
BMW (EUR)	1,462	107
Ferrari	236	10
Honda Motor (JPY)	9,100	230
Mitsubishi Motors (JPY)(1)	4,200	19
Suzuki Motor (JPY)	5,000	135
Tesla Motors (1)(2)	886	188
Toyota Motor (JPY)	3,900	195
		884
Distributors 0.0%		
Core-Mark Holding	1,000	47
		47
Diversified Consumer Services 0.0%		
American Public Education (2)	490	14
		14
Hotels, Restaurants & Leisure 1.1%		
Bloomin Brands	1,360	24
Brinker	580	26
Carnival	440	19
Compass Group (GBP)	11,968	228
Denny's (2)	1,950	21
Hilton Worldwide Holdings	9,670	218
Jack in the Box	570	49
Krispy Kreme (2)	1,458	31
Las Vegas Sands	2,951	128
Marriott, Class A (1)	1,855	123
McDonald's	50	6
MGM Resorts International (2)	5,967	135
Norwegian Cruise Line Holdings (2)	8,371	334
Red Robin Gourmet Burgers (2)	390	19
Royal Caribbean Cruises	2,185	147
Sonic	795	22
Starbucks	3,579	204
The Cheesecake Factory	390	19
Wingstop (2)	110	3
Wynn Macau (HKD)	27,600	40
Yum! Brands	350	29
Zoe's Kitchen (2)	200	7
		1,832
Household Durables 0.3%		
Calatlantic	186	7
Lennar, Class A	1,300	60
Meritage (2)	580	22
Panasonic (JPY)	14,000	121
Persimmon (GBP)	7,122	139
Sony (JPY)	2,700	79
Tempur Sealy International (2)	910	50
Whirlpool	461	77
		555
Internet & Catalog Retail 2.3%		
Amazon.com (2)	3,267	2,338
Ctrip.com International ADR (2)	2,166	89
Etsy (2)	670	6
HSN	350	17
JD.com, ADR (2)	690	15

(Cost and value in $000s)

	Shares/Par	$ Value
Netflix (2)	3,258	298
Priceline (2)	787	983
		3,746
Leisure Products 0.2%		
Arctic Cat	310	5
Brunswick	490	22
Mattel	9,372	293
Nautilus Group (2)	370	7
		327
Media 1.0%		
British Sky (GBP)	16,801	191
Cable One	54	28
Charter Communications Class A (2)	393	90
Comcast, Class A	1,930	126
CyberAgent (JPY)(1)	1,800	108
Eutelsat Communications (EUR)	5,273	100
Informa (GBP)	6,241	61
Liberty Global, Class A (2)	3,264	95
Liberty Global, Series C (2)	3,300	94
Liberty Global LiLAC Class A (2)	407	13
Liberty Global LiLAC Class C (2)	311	10
New Media Investment	560	10
Scholastic	404	16
Time Warner	330	24
Twenty-First Century Fox	3,800	104
Walt Disney	2,032	199
WPP (GBP)	15,802	328
		1,597
Multiline Retail 0.2%		
Dollar General	1,470	138
Kohl's	700	26
Lojas Renner (BRL)	11,500	85
Marks & Spencer Group (GBP)	17,910	76
Tuesday Morning (2)	2,940	21
		346

(Cost and value in $000s)

	Shares/Par	$ Value
Specialty Retail 1.4%		
American Eagle Outfitters	420	7
AutoZone (2)	231	183
Burlington Stores (2)	320	21
Chico's	2,380	25
Five Below (2)	300	14
Francesca's Holdings (2)	640	7
Home Depot	2,485	317
Kingfisher (GBP)	40,038	173
L Brands	32	2
Lowe's	8,688	688
Michaels (2)	480	14
Monro Muffler Brake	330	21
O'Reilly Automotive (2)	1,237	335
Pier 1 Imports	2,560	13
Restoration Hardware Holdings (2)	370	11
Ross Stores	2,851	162
The Finish Line, Class A	590	12
Tile Shop Holdings (2)	760	15
TSC	1,797	164
Zumiez (2)	1,090	16
		2,200
Textiles, Apparel & Luxury Goods 0.5%		
Burberry (GBP)	7,926	124
Coach	420	17
Deckers Outdoor (2)	120	7
Hanesbrands	5,533	139
Kering (EUR)	535	87
Moncler (EUR)	5,867	93
Nike, Class B	2,625	145
Samsonite International (HKD)	39,000	108
Tumi Holdings (2)	1,060	28
Wolverine World Wide	770	16
		764
Total Consumer Discretionary		**13,243**

(Cost and value in $000s)	Shares/Par	$ Value
Consumer Staples 4.0%		
Beverages 0.4%		
Constellation Brands Class A	624	103
Diageo (GBP)	8,243	231
Kirin Holdings (JPY)	8,200	138
Molson Coors Brewing Class B	429	43
Monster Beverage (2)	200	32
PepsiCo	500	53
		600
Food & Staples Retailing 0.8%		
Costco Wholesale	370	58
CVS Health	1,599	153
Kroger	180	7
Performance Food (2)	470	13
Seven & i Holdings (JPY)	4,400	184
Wal-Mart	3,550	259
Walgreens Boots Alliance	7,188	598
		1,272
Food Products 1.6%		
Bunge Limited	1,300	77
ConAgra	4,920	235
Ingredion	1,470	190
Kraft Heinz	280	25
Mondelez International	1,010	46
Nestle (CHF)	9,209	710
Pinnacle Foods	1,230	57
Post Holdings (2)	430	36
TreeHouse Foods (2)	670	69
Tyson Foods, Class A	14,870	993
Wilmar International (SGD)	53,800	131
		2,569
Household Products 0.1%		
Procter & Gamble	1,600	135
		135
Personal Products 0.5%		
Estee Lauder, Class A	260	24
L'Oreal (EUR)	1,333	255
Unilever (GBP)	11,808	566
		845
Tobacco 0.6%		
Philip Morris International	10,370	1,055
		1,055
Total Consumer Staples		**6,476**
Energy 2.3%		
Energy Equipment & Services 0.1%		
Aspen Aerogels (2)	1,140	6
Baker Hughes	1,241	56
Dril-Quip (2)	110	6
Forum Energy Technologies (2)	540	9
Oceaneering International	200	6
SEACOR Holdings (2)	460	27
Tenaris, ADR	1,028	30
Tesco	590	4
WorleyParsons (AUD)	10,662	59
		203
Oil, Gas & Consumable Fuels 2.2%		
Beach Energy (AUD)	43,833	20
Chevron	1,490	156
Diamondback Energy (2)	320	29
EQT	1,710	132
Exxon Mobil	6,050	567
Matador Resources (2)	1,150	23
Occidental Petroleum	1,940	147
Parsley Energy (2)	800	22
Rice Energy (2)	520	11
Royal Dutch Shell, ADR	7,473	413
Royal Dutch Shell B Shares, ADR	6,300	353
Spectra Energy	12,320	451
Statoil (NOK)	8,297	144
Synergy Resources (2)	1,170	8
Total (EUR)	5,449	263
Total, ADR	11,172	537

(Cost and value in $000s)	Shares/Par	$ Value
Total, Rights 6/30/16 (EUR)(2)	4,770	—
Tourmaline Oil (CAD)(2)	3,246	85
TransCanada	4,200	190
		3,551
Total Energy		**3,754**

Financials 9.7%

Banks 3.4%

	Shares/Par	$ Value
Australia & New Zealand Banking (AUD)	14,228	259
Bancorp South	240	5
BankUnited	1,650	51
Barclays, ADR	6,204	47
Blue Hills Bancorp	550	8
BNC Bancorp	290	7
BNP Paribas (EUR)	5,153	232
Bridge Bancorp	490	14
Capital Bank Financial Class A	970	28
Citigroup	15,331	650
Commerzbank (EUR)	6,199	40
Danske Bank A Shares (DKK)	5,370	142
DBS Group (SGD)	16,175	191
DNB (NOK)	22,416	271
East West Bancorp	130	4
Fifth Third Bancorp	7,128	125
First Horizon National	2,840	39
First Niagara Financial	2,340	23
Glacier Bancorp	717	19
Home Bancshares	559	11
ING Groep, GDR (EUR)	23,372	243
Intesa Sanpaolo (EUR)	68,917	132
JPMorgan Chase	16,736	1,040
KeyCorp	14,600	161
Lloyds Banking Group (GBP)	204,498	150
National Bank of Canada (CAD)	5,100	174
Nordea Bank (SEK)	19,794	167
Park Sterling	1,330	9
Pinnacle Financial Partners	350	17
Popular	710	21
Prosperity Bancshares	570	29
Royal Bank of Scotland (GBP)(2)	25,448	60
Simmons First National Class A	210	10
Standard Chartered (GBP)	12,209	93
Sumitomo Mitsui Trust Holdings (JPY)(1)	58,350	189
Svenska Handelsbanken A Shares (SEK)	18,563	225
Swedbank (SEK)	6,461	135
Synovus Financial	833	24
Talmer Bancorp Class A	820	16
Texas Capital Bancshares (2)	700	33
Towne Bank Portsmouth VA	411	9
U.S. Bancorp	2,800	113
United Overseas Bank (SGD)	9,500	131
Valley National Bancorp	615	6
Webster Financial	607	21
Wells Fargo	2,040	97
WestAmerica Bank	270	13
Western Alliance Bancorp (2)	1,310	43
		5,527

Capital Markets 2.1%

	Shares/Par	$ Value
Ameriprise Financial	6,287	565
Bank of New York Mellon	17,538	681
BlackRock	724	248
Charles Schwab	1,925	49
Close Brothers Group (GBP)	1,880	28
Cohen & Steers	520	21
Credit Suisse (CHF)	4,722	50
E*TRADE Financial (2)	1,660	39
Financial Engines	870	23
GAM Holding (CHF)	7,325	78
Houlihan Lokey	180	4

(Cost and value in $000s)	Shares/Par	$ Value
Janus Capital Group	2,000	28
Macquarie Group (AUD)	2,959	154
Morgan Stanley	29,624	770
Northern Trust	535	35
State Street	6,041	326
TD Ameritrade Holding	8,594	245
Waddell & Reed Financial Class A	760	13
		3,357
Consumer Finance 0.1%		
Credit Saison (JPY)	6,100	102
SLM (2)	1,860	12
		114
Diversified Financial Services 0.4%		
Bats Global Markets (2)	316	8
Challenger (AUD)	22,764	148
CME Group	330	32
Intercontinental Exchange	1,358	348
Mitsubishi UFJ Lease & Finance (JPY)	21,300	81
S&P Global	370	40
		657
Insurance 2.4%		
AIA Group (HKD)	28,200	170
Allianz (EUR)	1,181	168
American International Group	3,806	201
Aon	170	19
Assured Guaranty	1,394	35
Aviva (GBP)	32,622	175
AXA (EUR)	14,734	296
Chubb	520	68
Direct Line Insurance (GBP)	30,521	141
Enstar (2)	120	19
Genworth Financial Class A (2)	5,303	14
Infinity Property & Casualty	500	40
Kemper	410	13
Marsh & McLennan	8,439	578

(Cost and value in $000s)	Shares/Par	$ Value
MetLife	7,694	306
Munich Re (EUR)	900	150
Ping An Insurance H Shares (HKD)	21,500	95
Prudential (GBP)	11,185	191
QBE Insurance (AUD)	5,492	43
RLI	470	32
RSA Insurance Group (GBP)	25,449	170
Safety Insurance Group	250	15
Selective Insurance	1,210	46
State Auto Financial	640	14
Storebrand Class A (NOK)(2)	23,603	89
Sun Life Financial (CAD)	6,200	204
Tokio Marine Holdings (JPY)	6,400	212
Willis Towers Watson	343	43
XL Group	12,234	408
		3,955
Real Estate Investment Trusts 1.1%		
Acadia Realty Trust, REIT	400	14
American Campus Communities, REIT	530	28
American Tower, REIT	4,903	557
CatchMark Timber Trust, Class A, REIT	730	9
Chesapeake Lodging Trust, REIT	550	13
Colony Capital, REIT	310	5
Corporate Office Properties Trust, REIT	1,010	30
DiamondRock Hospitality, REIT	1,190	11
EastGroup Properties, REIT	560	39
Equinix, REIT	80	31
Equity One, REIT	770	25
First Potomac Realty Trust, REIT	570	5
General Growth Properties, REIT	2,000	60
Great Portland Estates (GBP)	6,612	55

(Cost and value in $000s)	Shares/Par	$ Value
Hannon Armstrong Sustainable Infrastructure, REIT	710	15
Outfront Media, REIT	420	10
Paramount, REIT	750	12
PS Business Parks, REIT	500	53
Retail Opportunity Investments, REIT	980	21
Rouse Properties, REIT	920	17
Scentre (AUD)	30,488	112
Unibail-Rodamco (EUR)	570	149
Urban Edge Properties, REIT	630	19
Urstadt Biddle Properties Class A, REIT	580	14
VEREIT, REIT	15,500	157
Weyerhaeuser, REIT	8,694	259
		1,720
Real Estate Management & Development 0.1%		
Alexander & Baldwin	720	26
Cheung Kong Property Holdings (HKD)	19,284	122
Forestar Group (2)	740	9
Mitsui Fudosan (JPY)	3,000	68
RE/MAX Holdings, Class A	370	15
		240
Thrifts & Mortgage Finance 0.1%		
Beneficial Bancorp (2)	1,563	20
Capitol Federal Financial	2,372	33
Clifton Bancorp	370	5
Essent (2)	240	5
Kearny Financial	810	10
Meridian Bancorp	810	12
MGIC Investment (2)	620	4
PennyMac Financial Services (2)	320	4
Radian	1,610	17
		110
Total Financials		**15,680**

(Cost and value in $000s)	Shares/Par	$ Value
Health Care 9.8%		
Biotechnology 1.3%		
ACADIA Pharmaceuticals (2)	450	15
Acceleron Pharma (2)	340	12
Alexion Pharmaceuticals (2)	2,741	320
Alkermes (2)	440	19
AMAG Pharmaceuticals (2)	160	4
Biogen (2)	852	206
Celgene (2)	4,167	411
CoLucid Pharmaceuticals (2)	170	1
CSL (AUD)	1,573	132
Exelixis (2)	1,810	14
Gilead Sciences	2,310	193
Incyte (2)	424	34
Insmed (2)	770	8
Ionis Pharmaceuticals (2)	450	10
Novavax (2)	1,790	13
Ophthotech (2)	80	4
Regeneron Pharmaceuticals (2)	317	111
Seattle Genetics (2)	280	11
Shire, ADR	1,862	343
Spark Therapeutics (2)	60	3
TESARO (2)	306	26
Ultragenyx Pharmaceutical (2)	30	1
Vertex Pharmaceuticals (2)	2,769	238
		2,129
Health Care Equipment & Supplies 2.2%		
Abbott Laboratories	4,000	157
Accuray (2)	1,265	7
Analogic	190	15
Becton, Dickinson & Company	3,169	537
Danaher	11,264	1,137
Dentsply Sirona	250	15
Edwards Lifesciences (2)	80	8
Elekta, B Shares (SEK)(1)	8,823	71
Entellus Medical (2)	140	3

	Shares/Par	$ Value
(Cost and value in $000s)		
GN Store Nord (DKK)	6,387	115
Halyard Health (2)	890	29
HeartWare International (2)	150	9
Hologic (2)	2,993	103
Insulet (2)	100	3
Intuitive Surgical (2)	400	265
K2M Group Holdings (2)	1,700	26
Masimo (2)	80	4
Medtronic	8,078	701
Meridian Bioscience	1,120	22
Sonova (CHF)	384	51
STERIS	480	33
Stryker	2,267	272
Vascular Solutions (2)	98	4
Wright Medical (2)	1,765	31
		3,618
Health Care Providers & Services 2.3%		
Acadia Healthcare (2)	630	35
Adeptus Health, Class A (2)	270	14
Aetna	6,136	749
Anthem	3,689	484
Cardinal Health	1,092	85
Centene (2)	470	34
Cigna	630	81
Cross Country Healthcare (2)	510	7
Diplomat Pharmacy (2)	360	13
Fresenius (EUR)	4,299	317
HCA Holdings (2)	4,847	373
Henry Schein (2)	706	125
Humana	810	146
LifePoint Health (2)	370	24
McKesson	2,325	434
Miraca Holdings (JPY)	2,100	90
Team Health Holdings (2)	320	13
UnitedHealth Group	4,373	617
Universal American	440	3
WellCare Health Plans (2)	500	54
		3,698

	Shares/Par	$ Value
(Cost and value in $000s)		
Health Care Technology 0.0%		
HMS Holdings (2)	1,400	25
		25
Life Sciences Tools & Services 0.7%		
Agilent Technologies	8,180	363
Bruker	1,020	23
Thermo Fisher Scientific	4,687	693
		1,079
Pharmaceuticals 3.3%		
Allergan (2)	2,147	496
Astellas Pharma (JPY)	21,900	343
Bayer (EUR)	4,560	459
Bristol-Myers Squibb	7,310	538
Catalent (2)	690	16
Eli Lilly	2,163	170
GlaxoSmithKline, ADR	3,100	134
Innoviva	100	1
Mallinckrodt (2)	1,810	110
Medicines Company (2)	530	18
Merck	1,100	63
Mylan (2)	5,722	247
Novartis (CHF)	6,309	519
Novo Nordisk B Shares (DKK)	2,390	129
Pacira Pharmaceuticals (2)	670	23
Pfizer	28,321	997
Roche Holding (CHF)	1,771	468
Sanofi (EUR)	4,038	339
Takeda Pharmaceutical (JPY)	3,100	134
Therapeutics MD (2)	1,730	15
Theravance Biopharma (2)	37	1
Zoetis	1,610	76
		5,296
Total Health Care		**15,845**
Industrials & Business Services 5.0%		
Aerospace & Defense 1.0%		
American Science Engineering	260	10

(Cost and value in $000s)

	Shares/Par	$ Value
Boeing	5,616	729
BWX Technologies	500	18
Harris	1,100	92
Hexcel	580	24
Meggitt (GBP)	21,427	116
Moog, Class A (2)	400	22
Northrop Grumman	354	79
Raytheon	174	24
Rockwell Collins	1,042	89
Rolls-Royce (GBP)	14,936	142
Teledyne Technologies (2)	520	51
Textron	1,180	43
Triumph Group	760	27
United Technologies	920	94
		1,560
Air Freight & Logistics 0.1%		
FedEx	1,252	190
		190
Airlines 0.4%		
Alaska Air Group	1,651	96
American Airlines	14,832	420
Delta Air Lines	1,160	42
United Continental (2)	2,843	117
		675
Building Products 0.1%		
AAON	670	18
Insteel Industries	35	1
Lennox International	240	34
PGT (2)	390	4
Quanex Building Products	1,000	19
Simpson Manufacturing	790	32
		108
Commercial Services & Supplies 0.3%		
ARC Document Solutions (2)	50	—
Copart (2)	130	6
G & K Services, Class A	230	18
HNI	280	13
Horizon North Logistics (CAD)	1,340	2

(Cost and value in $000s)

	Shares/Par	$ Value
IHS (2)	270	31
Knoll	540	13
Matthews International Class A	310	17
Mobile Mini	760	26
MSA Safety	780	41
Multi-Color	550	35
Ritchie Bros. Auctioneers	1,200	41
SP Plus (2)	360	8
Tyco International	3,880	165
Waste Connections	485	35
		451
Construction & Engineering 0.0%		
Comfort Systems USA	210	7
Valmont Industries	190	26
		33
Electrical Equipment 0.4%		
ABB (CHF)	7,277	143
AZZ	610	37
Eaton	224	13
Legrand (EUR)	2,818	145
Mitsubishi Electric (JPY)	28,000	332
Thermon Group Holdings (2)	400	8
		678
Industrial Conglomerates 1.4%		
CK Hutchison Holdings (HKD)	17,784	196
DCC (GBP)	2,149	189
GE	37,420	1,178
Koninklijke Philips (EUR)	7,800	194
Koninklijke Philips Rights, 7/5/16 (EUR)(2)	7,090	—
Roper Technologies	727	124
Sembcorp Industries (SGD)	15,609	33
Siemens (EUR)	2,633	270
		2,184
Machinery 0.5%		
Alamo	200	13
Albany International	550	22

(Cost and value in $000s)

	Shares/Par	$ Value
Chart Industries (2)	600	15
Clarcor	590	36
ESCO Technologies	750	30
Graco	330	26
Graham	120	2
Harsco	500	3
Hillenbrand	560	17
Illinois Tool Works	500	52
John Bean Technologies	940	58
Luxfer Holdings, ADR	770	9
Manitowoc Foodservice (2)	669	12
Mueller Water Products	1,840	21
Pentair	2,200	128
Proto Labs (2)	90	5
RBC Bearings (2)	500	36
Rexnord (2)	600	12
SMC (JPY)	300	73
Sun Hydraulics	580	17
Tennant	310	17
THK (JPY)	7,100	120
Toro	520	46
TriMas (2)	800	14
Wabtec	1,022	72
Woodward	80	5
		861
Marine 0.1%		
Maersk (DKK)	108	142
Matson	570	19
Nippon Yusen KK (JPY)	21,000	37
		198
Professional Services 0.1%		
Exponent	340	20
Recruit Holdings (JPY)	2,000	73
		93
Road & Rail 0.4%		
Canadian Pacific Railway	1,357	175
Celadon Group	580	5
Central Japan Railway (JPY)	1,000	177
J.B. Hunt Transport Services	1,637	132

(Cost and value in $000s)

	Shares/Par	$ Value
Kansas City Southern	956	86
Knight Transportation	1,095	29
Landstar System	380	26
Saia (2)	710	18
Union Pacific	215	19
		667
Trading Companies & Distributors 0.2%		
Mitsubishi (JPY)	7,600	133
NOW (2)	350	6
Sumitomo (JPY)	17,600	176
Univar (2)	710	14
		329
Total Industrials & Business Services		**8,027**
Information Technology 8.6%		
Communications Equipment 0.5%		
ADTRAN	750	14
CalAmp (2)	520	8
Ciena (2)	1,210	23
Cisco Systems	15,900	456
Finisar (2)	1,478	26
Ixia (2)	820	8
Juniper Networks	10,280	231
LM Ericsson (SEK)	14,863	113
		879
Electronic Equipment, Instruments & Components 0.3%		
CTS	680	12
Electro Rent	210	3
FARO Technologies (2)	150	5
Hamamatsu Photonics (JPY)	2,200	61
InvenSense (2)	560	4
Keysight Technologies (2)	3,348	98
National Instruments	1,060	29
Omron (JPY)	3,300	107
TE Connectivity	2,295	131
		450
Internet Software & Services 3.0%		
Alibaba Group Holding, ADR (2)	5,966	475

(Cost and value in $000s)	Shares/Par	$ Value
Alphabet, Class A (2)	955	672
Alphabet, Class C (2)	1,653	1,144
Baidu, ADR (2)	1,294	214
Cvent (2)	660	24
Demandware (2)	340	25
Endurance International Group (2)	700	6
Facebook (2)	11,184	1,278
Five9 (2)	1,360	16
GrubHub (2)	717	22
Kakaku.com (JPY)(1)	3,900	77
Marketo (2)	780	27
NAVER (KRW)	96	60
New Relic (2)	820	24
Pandora Media (2)	800	10
Quotient Technology (2)	419	6
SciQuest (2)	850	15
SVMK (f/k/a/ SurveyMonkey) Acquisition Date: 11/25/14 Cost $4 (2)(3)(4)	226	3
Tencent Holdings (HKD)	25,000	570
Twilio, Class A (2)	180	7
Yahoo! Japan (JPY)	40,500	178
Zillow (2)	60	2
Zillow, Class C (2)	120	4
		4,859
IT Services 1.3%		
Booz Allen Hamilton	670	20
Cognizant Technology Solutions (2)	410	23
CSRA	45	1
EPAM Systems (2)	240	15
Fidelity National Information	350	26
Fiserv (2)	2,906	316
FleetCor Technologies (2)	80	11
Infosys, ADR	7,900	141
MasterCard, Class A	7,676	676
PayPal Holdings (2)	2,110	77

(Cost and value in $000s)	Shares/Par	$ Value
Visa, Class A	10,415	773
		2,079
Semiconductor & Semiconductor Equipment 1.1%		
Analog Devices	1,100	62
ASML Holding (EUR)	1,548	154
Broadcom	1,928	300
Cavium (2)	360	14
Diodes (2)	910	17
Fairchild Semiconductor Class A (2)	570	11
Integrated Device Technology (2)	700	14
MACOM Technology Solutions Holdings (2)	300	10
Microsemi (2)	807	26
NXP Semiconductors (2)	4,566	358
PDF Solutions (2)	490	7
Semtech (2)	1,350	32
Taiwan Semiconductor Manufacturing (TWD)	58,219	294
Texas Instruments	5,150	323
Tokyo Electron (JPY)	1,800	151
Veeco (2)	700	12
		1,785
Software 1.9%		
Activision Blizzard	2,330	92
Allot Communications (2)	770	4
Blackbaud	160	11
Bottomline Technologies (2)	1,080	23
Computer Modelling (CAD)	740	6
Cyber-Ark Software (2)	630	31
Descartes Systems (2)	1,910	37
Electronic Arts (2)	1,854	140
FireEye (2)	1,010	17
Fleetmatics (2)	690	30
Fortinet (2)	200	6
Guidewire Software (2)	700	43
Infoblox (2)	290	5
Intuit	180	20
Microsoft	28,499	1,458

(Cost and value in $000s)	Shares/Par	$ Value
Progress Software (2)	710	20
Proofpoint (2)	860	54
Red Hat (2)	2,068	150
RingCentral (2)	650	13
salesforce.com (2)	6,317	502
ServiceNow (2)	2,806	186
SS&C Technologies Holdings	1,880	53
Tangoe (2)	2,065	16
Workday (2)	790	59
Zendesk (2)	400	11
		2,987
Technology Hardware, Storage & Peripherals 0.5%		
Apple	4,917	470
Cray (2)	570	17
Samsung Electronics (KRW)	111	138
Western Digital	3,169	150
		775
Total Information Technology		**13,814**
Materials 1.6%		
Chemicals 0.8%		
Asahi Kasei (JPY)	20,000	138
Ashland	2,341	269
BASF (EUR)	2,060	157
Covestro (EUR)	2,301	102
Dow Chemical	2,200	109
Ecolab	277	33
EI du Pont de Nemours	1,460	95
Flotek Industries (2)	760	10
Lyondellbasell Industries Class A	600	45
Minerals Technologies	630	36
PolyOne	530	19
PPG Industries	360	37
Senomyx (2)	650	2
Sherwin-Williams	450	132
Tosoh (JPY)	5,000	23
Umicore (EUR)	3,272	169
		1,376

(Cost and value in $000s)	Shares/Par	$ Value
Construction Materials 0.0%		
Martin Marietta Materials	40	8
		8
Containers & Packaging 0.3%		
Ball	1,900	137
International Paper	6,675	283
Multi-Packaging Solutions International (2)	1,264	17
		437
Metals & Mining 0.3%		
Antofagasta (GBP)(1)	8,002	50
BHP Billiton (AUD)	2,457	35
BHP Billiton (GBP)	8,858	111
Compass Minerals	120	9
Constellium (2)	1,000	5
Franco-Nevada (CAD)	220	17
Haynes International	340	11
New Gold (CAD)(2)	4,510	20
Osisko Gold Royalties (CAD)	800	10
Petra Diamonds (GBP)	2,382	4
Rio Tinto (AUD)	1,780	61
South32 (AUD)(2)	70,671	82
Worthington Industries	330	14
		429
Paper & Forest Products 0.2%		
Clearwater Paper (2)	270	18
Louisiana Pacific (2)	800	14
Stora Enso, R Shares (EUR)	13,535	109
West Fraser Timber (CAD)	4,860	142
		283
Total Materials		**2,533**
Telecommunication Services 1.1%		
Diversified Telecommunication Services 0.7%		
KT (KRW)	3,847	102
Nippon Telegraph & Telephone (JPY)	9,900	465
Tele Danmark (DKK)	29,215	143
Telecom Italia (EUR)	102,893	66

(Cost and value in $000s)	Shares/Par	$ Value
Telefonica (EUR)	15,152	145
Telefonica Deutschland Holding (EUR)	40,232	166
Telstra (AUD)	12,795	53
		1,140
Wireless Telecommunication Services 0.4%		
America Movil, ADR	5,600	69
Softbank (JPY)	2,100	119
Vodafone, ADR	15,609	482
		670
Total Telecommunication Services		**1,810**
Utilities 2.1%		
Electric Utilities 1.3%		
American Electric Power	4,580	321
El Paso Electric	560	27
Exelon	15,440	561
FirstEnergy	8,470	296
PG&E	9,480	606
PNM Resources	1,510	54
Portland General Electric	930	41
SSE (GBP)	5,952	124
		2,030
Gas Utilities 0.1%		
Chesapeake Utilities	220	14
ONE Gas	1,010	67
South Jersey Industries	240	8
Southwest Gas	560	44
		133
Independent Power & Renewable Electricity Producers 0.2%		
AES	25,211	315
NRG Energy	6,160	92
NRG Yield, Class A	150	2
NRG Yield, Class C	170	3
		412
Multi-Utilities 0.5%		
CenterPoint Energy	12,528	301
DTE Energy	200	20
E.ON (EUR)	7,239	72

(Cost and value in $000s)	Shares/Par	$ Value
Engie (EUR)	12,413	200
National Grid (GBP)	18,031	265
NorthWestern	230	15
		873
Water Utilities 0.0%		
California Water Service Group	560	19
Connecticut Water Service	50	3
		22
Total Utilities		**3,470**
Total Miscellaneous Common Stocks 0.0% (11)		**4**
Total Common Stocks (Cost $58,814)		**84,656**
CONVERTIBLE PREFERRED STOCKS 0.0%		
Financials 0.0%		
Real Estate Investment Trusts 0.0%		
American Tower Series A, REIT	354	39
Total Financials		**39**
Information Technology 0.0%		
Internet Software & Services 0.0%		
Cargurus, Series D Acquisition Date: 7/7/15 Cost $5 (2)(3)(4)	111	5
Cloudera, Series F Acquisition Date: 2/5/14 Cost $4 (2)(3)(4)	292	5
MongoDB, Series F Acquisition Date:10/2/13 Cost $4 (2)(3)(4)	232	2
		12
IT Services 0.0%		
Apptio, Series D Acquisition Date: 3/9/12 Cost $6 (2)(3)(4)	330	5
		5

(Cost and value in $000s)	Shares/Par	$ Value
Software 0.0%		
Plex Systems, Series B Acquisition Date: 6/9/14 Cost $5 (2)(3)(4)	2,270	4
		4
Total Information Technology		**21**
Total Convertible Preferred Stocks (Cost $59)		**60**
CORPORATE BONDS 6.7%		
21st Century Fox America 4.75%, 9/15/44	100,000	111
AbbVie 4.45%, 5/14/46	65,000	66
ACE INA Holdings 2.30%, 11/3/20	35,000	36
ACE INA Holdings 4.35%, 11/3/45	30,000	34
Actavis Funding 3.80%, 3/15/25	80,000	83
Aetna 2.40%, 6/15/21	30,000	31
Aetna 3.20%, 6/15/26	55,000	56
Agilent Technologies 3.20%, 10/1/22	15,000	15
Agilent Technologies 3.875%, 7/15/23	10,000	11
Alcoa 6.15%, 8/15/20	80,000	87
Alexandria Real Estate Equities 3.95%, 1/15/27	15,000	16
Alibaba Group Holding 3.60%, 11/28/24	200,000	205
Amazon.com 3.80%, 12/5/24	75,000	84
Amazon.com 4.95%, 12/5/44	80,000	98
American Airlines 3.575%, 7/15/29	15,000	16
American Airlines 3.70%, 11/1/24	13,624	13
American Airlines 4.00%, 1/15/27	21,886	23
American Airlines 4.375%, 4/1/24	4,323	4

(Cost and value in $000s)	Shares/Par	$ Value
Anthem 3.50%, 8/15/24	85,000	88
Anthem 4.65%, 1/15/43	35,000	37
APT Pipelines 3.875%, 10/11/22 (5)	35,000	36
Arrow Electronics 3.50%, 4/1/22	30,000	31
AT&T 4.80%, 6/15/44	75,000	77
AT&T 6.30%, 1/15/38	35,000	42
Avnet Electronic 4.625%, 4/15/26	40,000	42
Bank of America 3.30%, 1/11/23	165,000	170
Bank of America 5.625%, 7/1/20	100,000	113
BBVA Bancomer 4.375%, 4/10/24 (5)	150,000	157
Biogen Idec 2.90%, 9/15/20	15,000	16
Biogen Idec 4.05%, 9/15/25	65,000	70
Boston Properties 3.65%, 2/1/26	30,000	32
BPCE 5.70%, 10/22/23 (5)	200,000	214
Brambles 4.125%, 10/23/25 (5)	20,000	21
Brixmor Operating Partnership 3.875%, 8/15/22	65,000	67
Catholic Health Initiatives 2.95%, 11/1/22	20,000	20
CC Holdings 3.849%, 4/15/23	150,000	160
Celgene 3.625%, 5/15/24	110,000	115
Celgene 3.875%, 8/15/25	150,000	160
Charter Communications Operating 4.464%, 7/23/22 (5)	25,000	27
Charter Communications Operating 4.908%, 7/23/25 (5)	145,000	158
Charter Communications Operating 6.384%, 10/23/35 (5)	10,000	12

(Cost and value in $000s)	Shares/Par	$ Value
Charter Communications Operating 6.484%, 10/23/45 (5)	85,000	101
CNA Financial 3.95%, 5/15/24	45,000	48
CNA Financial 5.875%, 8/15/20	35,000	40
Constellation Energy 5.15%, 12/1/20	50,000	56
Crown Castle International 3.40%, 2/15/21	25,000	26
Crown Castle International 4.45%, 2/15/26	40,000	43
Crown Castle International 5.25%, 1/15/23	35,000	39
Crown Castle Towers 3.663%, 5/15/45 (5)	85,000	89
Crown Castle Towers 6.113%, 1/15/40 (5)	64,000	71
CVS Caremark 3.50%, 7/20/22	40,000	43
DDR 4.25%, 2/1/26	65,000	68
Delphi 5.00%, 2/15/23	100,000	106
Delta Air Lines 5.30%, 10/15/20	2,789	3
Delta Air Lines 7.75%, 6/17/21	6,400	7
Delta Air Lines, ETC 3.625%, 1/30/29	34,307	36
Delta Airlines, ETC 4.95%, 5/23/19	5,332	6
Discover Financial Services 3.75%, 3/4/25	40,000	40
Energy Transfer Partners 4.15%, 10/1/20	60,000	61
Enterprise Products Operations 2.85%, 4/15/21	15,000	15
Enterprise Products Operations 3.95%, 2/15/27	20,000	21
Enterprise Products Operations 5.10%, 2/15/45	95,000	105
ERAC USA Finance 3.80%, 11/1/25 (5)	40,000	43
Essex Portfolio 3.375%, 4/15/26	35,000	36

(Cost and value in $000s)	Shares/Par	$ Value
Exelon 2.85%, 6/15/20	25,000	26
Exelon Generation 2.95%, 1/15/20	35,000	36
Expedia 5.00%, 2/15/26 (5)	100,000	104
Express Scripts Holding 3.30%, 2/25/21	10,000	11
Express Scripts Holding 4.50%, 2/25/26	60,000	66
Express Scripts Holding 4.80%, 7/15/46	30,000	30
FirstEnergy Transmission 4.35%, 1/15/25 (5)	65,000	69
GATX 2.50%, 3/15/19	50,000	50
GATX 2.50%, 7/30/19	35,000	35
GATX 3.25%, 3/30/25	20,000	19
GATX 3.50%, 7/15/16	11,000	11
GATX 4.85%, 6/1/21	35,000	38
General Motors 4.00%, 4/1/25	70,000	71
Goldman Sachs 5.75%, 1/24/22	110,000	128
Goldman Sachs 6.75%, 10/1/37	60,000	74
GTP Acquisition Partners 2.50%, 6/15/45 (5)	100,000	100
Harris 2.70%, 4/27/20	10,000	10
Harris 3.832%, 4/27/25	15,000	16
Harris 4.854%, 4/27/35	75,000	82
Harvard University President & Fellows 3.619%, 10/1/37	20,000	22
Heathrow Funding 4.875%, 7/15/23 (5)	100,000	110
Holcim 6.00%, 12/30/19 (5)	35,000	39
Humana 3.15%, 12/1/22	20,000	21
Humana 3.85%, 10/1/24	110,000	117
Humana 4.95%, 10/1/44	75,000	82

(Cost and value in $000s)	Shares/Par	$ Value
Imperial Tobacco Finance 2.95%, 7/21/20 (5)	200,000	207
ING Bank, VR 4.125%, 11/21/23	205,000	208
Interpublic Group of Companies 3.75%, 2/15/23	25,000	26
Interpublic Group of Companies 4.00%, 3/15/22	50,000	53
Interpublic Group of Companies 4.20%, 4/15/24	15,000	16
JD.com 3.875%, 4/29/26	200,000	191
Kaiser Permanente 3.50%, 4/1/22	30,000	32
Kimco Realty 3.40%, 11/1/22	10,000	11
Kinder Morgan Energy Partners 4.30%, 5/1/24	110,000	111
Kinder Morgan Energy Partners 5.95%, 2/15/18	15,000	16
Kinder Morgan Finance 6.00%, 1/15/18 (5)	25,000	26
Liberty Mutual Group 4.85%, 8/1/44 (5)	95,000	96
Life Technologies 6.00%, 3/1/20	115,000	130
Lockheed Martin 3.55%, 1/15/26	50,000	55
Lockheed Martin 3.60%, 3/1/35	20,000	20
LYB International Finance 4.00%, 7/15/23	65,000	70
Martin Marietta Materials 4.25%, 7/2/24	65,000	69
Massachusetts Institute of Technology 3.959%, 7/1/38	30,000	34
Mead Johnson Nutrition 4.125%, 11/15/25	35,000	38
Medtronic 4.625%, 3/15/45	70,000	82
Merrill Lynch 6.875%, 4/25/18	25,000	27
Morgan Stanley 3.75%, 2/25/23	120,000	127

(Cost and value in $000s)	Shares/Par	$ Value
Nationwide Building Society 3.90%, 7/21/25 (5)	200,000	218
Newell Rubbermaid 3.90%, 11/1/25	15,000	16
Newell Rubbermaid 5.50%, 4/1/46	40,000	47
O'Reilly Automotive 3.80%, 9/1/22	100,000	107
Oracle 2.65%, 7/15/26	85,000	85
Plains All American Pipeline 6.50%, 5/1/18	60,000	64
Priceline Group 3.60%, 6/1/26	40,000	41
Priceline Group 3.65%, 3/15/25	60,000	64
Principal Financial Group, VR 4.70%, 5/15/55	70,000	68
QVC 3.125%, 4/1/19	95,000	98
QVC 4.375%, 3/15/23	55,000	55
QVC 4.45%, 2/15/25	10,000	10
QVC 4.85%, 4/1/24	70,000	73
QVC 5.125%, 7/2/22	30,000	32
Reinsurance Group of America 5.00%, 6/1/21	30,000	33
Reinsurance Group of America 6.45%, 11/15/19	45,000	51
Reynolds American 4.45%, 6/12/25	50,000	56
Reynolds American 5.85%, 8/15/45	30,000	38
Rogers Communications 3.625%, 12/15/25	20,000	21
Roper Technologies 3.00%, 12/15/20	40,000	41
Santander U.K. 2.875%, 10/16/20	20,000	20
SBA Tower Trust 2.898%, 10/15/44 (5)	45,000	46
SBA Tower Trust 2.933%, 12/15/42 (5)	35,000	35
SBA Tower Trust 3.156%, 10/15/45 (5)	30,000	31
SBA Tower Trust 3.869%, 10/15/49 (5)	80,000	82

(Cost and value in $000s)	Shares/Par	$ Value
Schlumberger Holdings 3.00%, 12/21/20 (5)	45,000	47
Schlumberger Holdings 4.00%, 12/21/25 (5)	85,000	92
Sempra Energy 2.85%, 11/15/20	30,000	31
SES 3.60%, 4/4/23 (5)	30,000	30
Shell International Finance 2.125%, 5/11/20	70,000	71
Shell International Finance 3.25%, 5/11/25	180,000	188
Simon Property Group 2.50%, 9/1/20	75,000	78
Sirius XM Radio 5.25%, 8/15/22 (5)	105,000	110
Southern Company 2.95%, 7/1/23	80,000	83
Spectra Energy Capital 3.30%, 3/15/23	50,000	48
Tencent Holdings 3.80%, 2/11/25	200,000	211
Teva Pharmaceutical Finance 6.15%, 2/1/36	35,000	42
Thomson Reuters 3.35%, 5/15/26	15,000	15
Time Warner Cable 6.55%, 5/1/37	40,000	47
Time Warner Cable 6.75%, 6/15/39	65,000	77
TransCanada Pipelines 4.875%, 1/15/26	70,000	80
Transurban Finance 4.125%, 2/2/26 (5)	15,000	16
Trinity Acquisition 3.50%, 9/15/21	15,000	16
Tyson Foods 3.95%, 8/15/24	15,000	16
Tyson Foods 4.50%, 6/15/22	20,000	22
Unum Group 3.00%, 5/15/21	20,000	21
Unum Group 4.00%, 3/15/24	10,000	10
US Airways 3.95%, 5/15/27	30,504	32
US Airways 4.625%, 12/3/26	175,178	190
Valeant Pharmaceuticals 5.875%, 5/15/23 (5)	93,000	75

(Cost and value in $000s)	Shares/Par	$ Value
Verizon Communications 4.272%, 1/15/36	80,000	82
Verizon Communications 4.862%, 8/21/46	140,000	152
Verizon Communications 5.15%, 9/15/23	125,000	146
Verizon Communications 6.40%, 9/15/33	50,000	64
Visa 4.30%, 12/14/45	115,000	133
Western Digital 7.375%, 4/1/23 (5)	50,000	53
Western Digital 10.50%, 4/1/24 (5)	29,000	31
Western Gas Partners 4.00%, 7/1/22	70,000	69
WPP Finance 2010 3.625%, 9/7/22	40,000	42
Total Corporate Bonds (Cost $10,286)		**10,821**
ASSET-BACKED SECURITIES 2.3%		
Ally Auto Receivables Trust Series 2012-A, Class D 3.15%, 10/15/18 (5)	25,000	25
Ally Auto Receivables Trust Series 2014-3, Class A4 1.72%, 3/16/20	85,000	86
Ally Master Owner Trust Series 2015-3, Class A 1.63%, 5/15/20	100,000	100
AmeriCredit Automobile Receivables Trust Series 2012-5, Class C 1.69%, 11/8/18	43,700	44
AmeriCredit Automobile Receivables Trust Series 2013-5, Class C 2.29%, 11/8/19	65,000	66
AmeriCredit Automobile Receivables Trust Series 2015-3, Class B 2.08%, 9/8/20	30,000	30
AmeriCredit Automobile Receivables Trust Series 2015-4, Class C 2.88%, 7/8/21	15,000	15

(Cost and value in $000s)	Shares/Par	$ Value
AmeriCredit Automobile Receivables Trust Series 2016-1, Class A3 1.81%, 10/8/20	15,000	15
Ascentium Equipment Receivables Series 2015-1A, Class A3 1.61%, 10/13/20 (5)	29,000	29
Avis Budget Rental Car Funding Series 2013-1A, Class A 1.92%, 9/20/19 (5)	100,000	100
Avis Budget Rental Car Funding Series 2013-2A, Class A 2.97%, 2/20/20 (5)	100,000	103
Cabela's Credit Card Master Trust Series 2012-2A, Class A1 1.45%, 6/15/20 (5)	100,000	100
Capital Auto Receivables Asset Trust Series 2014-1, Class C 2.84%, 4/22/19	10,000	10
Capital Auto Receivables Asset Trust Series 2015-3, Class A2 1.72%, 1/22/19	85,000	85
Capital Auto Receivables Asset Trust Series 2015-4, Class A4 2.01%, 7/20/20	10,000	10
Capital One Multi-Asset Execution Trust Series 2015-A1, Class A 1.39%, 1/15/21	70,000	70
CarMax Auto Owner Trust Series 2013-3, Class B 1.91%, 3/15/19	20,000	20
CarMax Auto Owner Trust Series 2014-1, Class B 1.69%, 8/15/19	10,000	10
CarMax Auto Owner Trust Series 2014-1, Class C 1.93%, 11/15/19	15,000	15
CarMax Auto Owner Trust Series 2016-2, Class B 2.16%, 12/15/21	10,000	10
CCG Receivables Trust Series 2014-1, Class A2 1.06%, 11/15/21 (5)	36,091	36

(Cost and value in $000s)	Shares/Par	$ Value
CNH Equipment Trust Series 2012-D, Class B 1.27%, 5/15/20	45,000	45
DB Master Finance Series 2015-1A, Class A2I 3.262%, 2/20/45 (5)	49,375	50
Discover Card Master Trust I Series 2016-A3, Class A3 1.85%, 10/16/23	100,000	101
Elara HGV Timeshare Issuer Series 2014-A, Class A 2.53%, 2/25/27 (5)	50,502	50
Exeter Auto Receivables Trust Series 2014-2A, Class A 1.06%, 8/15/18 (5)	1,132	1
Ford Credit Auto Owner Trust Series 2013-C, Class D 2.50%, 1/15/20	45,000	46
Ford Credit Auto Owner Trust Series 2014-REV1, Class A 2.26%, 11/15/25 (5)	200,000	204
Ford Credit Auto Owner Trust Series 2016-A, Class A4 1.60%, 6/15/21	15,000	15
Ford Credit Floorplan Master Owner Trust Series 2014-4, Class B 1.65%, 8/15/19	15,000	15
Fosse Master Issuer Series 2012-1A, Class 3A1 CMO, VR 2.133%, 10/18/54 (5)	165,868	167
GE Capital Credit Card Master Note Trust Series 2012-2, Class A 2.22%, 1/15/22	100,000	102
GM Financial Auto Lease Series 2015-3, Class A4 1.81%, 11/20/19	110,000	111
Hilton Grand Vacation Trust Series 2014-AA, Class A 1.77%, 11/25/26 (5)	56,279	55
HOA Funding Series 2014-1A, Class A2 4.846%, 8/20/44 (5)	48,250	43
Hyundai Auto Lease Securitization Trust Series 2015-B, Class A4 1.66%, 7/15/19 (5)	100,000	101

(Cost and value in $000s)	Shares/Par	$ Value
Marriott Vacation Club Owner Trust Series 2014-1A, Class A 2.25%, 9/22/31 (5)	63,705	63
MMAF Equipment Finance Series 2014-AA, Class A4 1.59%, 2/8/22 (5)	100,000	100
MMAF Equipment Finance Series 2015-AA, Class A4 1.93%, 7/16/21 (5)	100,000	101
MMAF Equipment Finance Series 2016-AA, Class A4 1.76%, 1/17/23 (5)	100,000	101
Nissan Auto Receivables Owner Trust Series 2015-B, Class A4 1.79%, 1/17/22	40,000	41
Nordstrom Private Label Credit Card Master Trust Series 2011-1A, Class A 2.28%, 11/15/19 (5)	100,000	100
Sierra Receivables Funding Series 2015-1A, Class A 2.40%, 3/22/32 (5)	48,094	48
Sierra Receivables Funding Series 2015-3A, Class A 2.58%, 9/20/32 (5)	68,149	69
SLM Student Loan Trust Series 2008-9, Class A, VR 2.138%, 4/25/23	39,605	40
Smart Trust Australia Series 2012-4US, Class A4A 1.25%, 8/14/18	28,653	29
Smart Trust Australia Series 2015-1US, Class A3A 1.50%, 9/14/18	25,000	25
SMB Private Education Loan Trust, Series 2015-B Class A2A, 2.98%, 7/15/27 (5)	100,000	103
SMB Private Education Loan Trust, Series 2015-C Class A2A, 2.75%, 7/15/27 (5)	100,000	102
Synchrony Credit Card Master Note Trust Series 2014-1, Class C 1.91%, 11/15/20	100,000	100
Toyota Auto Receivables Owner Trust Series 2015-C, Class A4 1.69%, 12/15/20	115,000	116

(Cost and value in $000s)	Shares/Par	$ Value
Volvo Financial Equipment Series 2016-1A, Class A3 1.67%, 2/18/20 (5)	50,000	50
Wendy's Funding Series 2015-1A, Class A2I 3.371%, 6/15/45 (5)	143,913	145
Wheels Series 2015-1A, Class A2 1.27%, 4/22/24 (5)	174,112	174
World Omni Auto Lease Securitization Series 2014-A, Class B 1.65%, 4/15/20	40,000	40
Total Asset-Backed Securities (Cost $3,616)		**3,632**
NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 2.6%		
Banc of America Commercial Mortgage Series 2006-3, Class AM ARM, 6.146%, 7/10/44	40,000	40
Banc of America Commercial Mortgage Series 2006-5, Class AM 5.448%, 9/10/47	140,000	141
Banc of America Mortgage Securities Series 2004-D, Class 2A2 CMO, ARM, 3.26%, 5/25/34	4,013	4
Banc of America Mortgage Securities Series 2004-H, Class 2A2 ARM, 2.837%, 9/25/34	4,614	4
Banc of America Mortgage Securities Series 2004-I, Class 3A2 ARM, 2.85%, 10/25/34	1,704	2
Banc of America Mortgage Securities, Series 2005-J Class 2A1, CMO, ARM 2.929%, 11/25/35	24,827	23
Banc of America Mortgage Securities, Series 2005-J Class 3A1, CMO, ARM 3.075%, 11/25/35	7,452	7
Bank of America Mortgage Securities Series 2004-A, Class 2A2 CMO, ARM 2.948%, 2/25/34	5,063	5

(Cost and value in $000s)

	Shares/Par	$ Value
Chase Funding Mortgage Loan Series 2002-2, Class 1M1 5.599%, 9/25/31	2,513	2
Citigroup Commercial Mortgage Trust Series 2014-GC21, Class AS 4.026%, 5/10/47	35,000	38
Commercial Mortgage PTC Series 2014-CR21, Class A3 3.528%, 12/10/47	75,000	81
Commercial Mortgage PTC Series 2014-UBS6, Class A5 3.644%, 12/10/47	85,000	92
Commercial Mortgage PTC Series 2015-CR24, Class A5 3.696%, 8/10/55	50,000	55
Commercial Mortgage PTC Series 2015-LC21, Class B ARM, 4.456%, 7/10/48	45,000	47
Commercial Mortgage PTC Series 2015-PC1, Class A2 3.148%, 7/10/50	15,000	16
Commercial Mortgage PTC Series 2015-PC1, Class AM 4.29%, 7/10/50	15,000	16
Commercial Mortgage PTC Series 2015-PC1, Class B ARM, 4.591%, 7/10/50	20,000	20
Commercial Mortgage PTC Series 2015-PC1, Class C ARM, 4.591%, 7/10/50	20,000	18
Commercial Mortgage PTC Series 2016-CR28, Class AHR, 3.651%, 2/10/49	30,000	32
Connecticut Avenue Securities Series 2016-C02, Class 1M1 CMO, ARM 2.603%, 9/25/28	34,386	35
Countrywide Home Equity Loan Trust, Series 2004-BC1 Class M2, ARM 2.058%, 1/25/34	3,352	3
Credit Suisse Mortgage Trust Series 2015-GLPB, Class A 3.639%, 11/15/34 (5)	205,000	222
CSAIL Commercial Mortgage Trust Series 2015-C3, Class A4 3.718%, 8/15/48	25,000	27
CSAIL Commercial Mortgage Trust Series 2016-C6, Class A5 3.09%, 1/15/49	50,000	52
FREMF Mortgage Trust Series 2015-K43, Class B ARM, 3.863%, 2/25/48 (5)	20,000	19
FREMF Mortgage Trust Series 2015-K47, Class B ARM, 3.724%, 6/25/48 (5)	40,000	38
FREMF Mortgage Trust Series 2015-K48, Class B ARM, 3.76%, 6/25/25 (5)	40,000	38
FREMF Mortgage Trust Series 2015-K718, Class B ARM, 3.669%, 2/25/22 (5)	55,000	54
FREMF Mortgage Trust Series 2015-K720, Class B ARM, 3.506%, 7/25/22 (5)	80,000	76
GMAC Commercial Mortgage Securities Series 2006-C1, Class AM ARM, 5.29%, 11/10/45	16,453	16
Goldman Sachs Mortgage Securities Corp. II Series 2012-GCJ9, Class A3 2.773%, 11/10/45	35,000	37
Goldman Sachs Mortgage Securities Trust Series 2015-GC34, Class A4 3.506%, 10/10/48	60,000	65
Goldman Sachs Mortgage Securities Trust Series 2016-GS2, Class A4 3.05%, 5/10/49	55,000	58
Greenwich Capital Commercial Funding Series 2007-GG9, Class AM 5.475%, 3/10/39	55,000	56
Greenwich Capital Commercial Funding Series 2007-GG9, Class AMFX 5.475%, 3/10/39	100,000	101
GSAA Home Equity Trust Series 2005-8, Class A3 ARM, 0.883%, 6/25/35	39,692	37
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C19, Class AS ARM, 4.243%, 4/15/47	35,000	39

(Cost and value in $000s)	Shares/Par	$ Value
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C28, Class A4 3.227%, 10/15/48	115,000	121
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C30, Class A2 3.087%, 7/15/48	10,000	11
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C31, Class A3 3.801%, 8/15/48	60,000	66
JPMorgan Chase Commercial Mortgage Securities Series 2006-LDP8, Class AJ ARM, 5.48%, 5/15/45	10,000	10
JPMorgan Chase Commercial Mortgage Securities Series 2007-CB19, Class AM ARM, 5.887%, 2/12/49	130,000	132
JPMorgan Chase Commercial Mortgage Securities Series 2007-LD12, Class AM ARM, 6.203%, 2/15/51	80,000	83
JPMorgan Chase Commercial Mortgage Securities Series 2012-C8, Class A3 2.829%, 10/15/45	50,000	52
JPMorgan Chase Commercial Mortgage Securities Series 2013-LC11, Class A5 2.96%, 4/15/46	30,000	31
JPMorgan Chase Commercial Mortgage Securities Series 2016-ATRM, Class A 2.962%, 10/5/28 (5)	100,000	102
JPMorgan Chase Deutsche Bank Commercial Mortgage Securities Series 2016-C2, Class A4 3.144%, 6/15/49	25,000	26
LB-UBS Commercial Mortgage Trust Series 2007-C2, Class AM ARM, 5.493%, 2/15/40	120,000	122
LB-UBS Commercial Mortgage Trust Series 2008-C1, Class AM ARM, 6.248%, 4/15/41	30,000	30

(Cost and value in $000s)	Shares/Par	$ Value
Liberty Street Trust Series 2016-225L, Class A 3.597%, 2/10/36 (5)	100,000	108
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C22, Class A4 3.306%, 4/15/48	65,000	69
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class AS ARM, 4.036%, 5/15/48	10,000	11
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class B ARM, 4.499%, 5/15/48	15,000	16
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class C ARM, 4.499%, 5/15/48	10,000	9
Morgan Stanley Bank of America Merrill Lynch Trust Series 2016-C29, Class A4 3.325%, 5/15/49	25,000	27
Morgan Stanley Capital I Series 2007-HQ11, Class AJ ARM, 5.508%, 2/12/44	35,000	34
Morgan Stanley Capital I Series 2012-C4, Class A2 2.111%, 3/15/45	173,138	174
Morgan Stanley Capital I Series 2015-MS1, Class AS ARM, 4.164%, 5/15/48	10,000	11
Morgan Stanley Capital I Series 2015-MS1, Class B ARM, 4.164%, 5/15/48	15,000	16
Structured Agency Credit Risk Debt Notes, Series 2014-HQ3, Class M2, CMO, ARM 3.103%, 10/25/24	250,000	253
Structured Agency Credit Risk Debt Notes Series 2016-DNA1, Class M2, ARM, 3.353%, 7/25/28	250,000	258
Terwin Mortgage Trust Series 2005-14HE, Class AF2, VR, 4.849%, 8/25/36	3,389	3
Towd Point Mortgage Trust Series 2015-3, Class A1B CMO, ARM, 3.00%, 3/25/54 (5)	79,282	81

	Shares/Par	$ Value
(Cost and value in $000s)		
Towd Point Mortgage Trust Series 2015-5, Class A1B CMO, ARM 2.75%, 5/25/55 (5)	89,246	90
Towd Point Mortgage Trust Series 2016-1, Class A1B CMO, ARM 2.75%, 2/25/55 (5)	92,817	94
WaMu Mortgage PTC Series 2005-AR12, Class 2A1, CMO, ARM 2.677%, 9/25/35	2,875	3
Wells Fargo Commercial Mortgage Trust Series 2016-C34, Class A4 3.096%, 6/15/49	70,000	73
Wells Fargo Commercial Mortgage Trust Series 2015-C29, Class A4 3.637%, 6/15/48	70,000	76
Wells Fargo Commercial Mortgage Trust Series 2015-LC20, Class C ARM, 4.056%, 4/15/50	35,000	34
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class A2 3.02%, 7/15/58	25,000	26
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class A5 ARM, 3.767%, 7/15/58	50,000	55
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class AS ARM, 4.121%, 7/15/58	10,000	11
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class B ARM, 4.393%, 7/15/58	15,000	16
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class C ARM, 4.393%, 7/15/58	10,000	10
Wells Fargo Mortgage Backed Securities Trust, Series 2003-O, Class 5A1, CMO ARM, 2.735%, 1/25/34	5,938	6

	Shares/Par	$ Value
(Cost and value in $000s)		
Wells Fargo Mortgage Backed Securities Trust Series 2004-G, Class A3 CMO, ARM 3.012%, 6/25/34	4,054	4
WF-RBS Commercial Mortgage Trust Series 2013-C13, Class A4 3.001%, 5/15/45	60,000	63
WF-RBS Commercial Mortgage Trust Series 2013-C18, Class A3 3.651%, 12/15/46	25,000	27
WF-RBS Commercial Mortgage Trust Series 2014-C20, Class AS 4.176%, 5/15/47	60,000	66
Total Non-U.S. Government Mortgage-Backed Securities (Cost $4,077)		**4,126**
U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 8.1%		
U.S. Government Agency Obligations 5.7% (6)		
Federal Home Loan Mortgage		
1.426%, 8/25/17	15,436	16
1.875%, 4/25/22	29,265	30
2.50%, 5/1/28 - 5/1/30	151,749	157
3.00%, 12/1/42 - 7/1/43	399,741	417
3.50%, 8/1/42 - 5/1/46	562,617	597
4.00%, 8/1/40 - 8/1/45	275,992	297
4.50%, 11/1/18 - 10/1/41	258,647	283
5.00%, 10/1/18 - 8/1/40	92,218	101
5.50%, 11/1/18	1,424	1
6.00%, 10/1/16 - 8/1/38	37,102	41
6.50%, 3/1 - 4/1/32	5,266	6
7.00%, 6/1/32	1,349	1
Federal Home Loan Mortgage, ARM		
2.535%, 9/1/32	222	—
2.664%, 1/1/37	4,610	5
2.676%, 2/1/37	24,694	26
Federal National Mortgage Assn.		
2.50%, 10/1/27 - 3/1/43	505,010	522
3.00%, 6/1/27 - 2/1/44	997,670	1,045
3.50%, 5/1/42 - 5/1/46	1,838,121	1,949
4.00%, 4/1/26 - 12/1/45	915,256	986
4.50%, 12/1/20 - 12/1/45	333,242	363
5.00%, 11/1/18 - 11/1/44	429,672	477

(Cost and value in $000s)	Shares/Par	$ Value
5.50%, 1/1/17 - 9/1/41	294,485	333
6.00%, 8/1/21 - 5/1/42	214,495	247
6.50%, 5/1/17 – 5/1/40	91,443	108
7.00%, 4/1/32	814	1
Federal National Mortgage Assn., ARM 2.765%, 8/1/36	11,562	12
Federal National Mortgage Assn., CMO, IO 6.50%, 2/25/32	1,592	—
Federal National Mortgage Assn., TBA 2.50%, 1/1/27	135,000	140
3.00%, 1/1/27 - 1/1/43	735,000	765
4.00%, 1/1/41	240,000	257
		9,183
U.S. Government Obligations 2.4%		
Government National Mortgage Assn. 2.50%, 12/20/42 - 4/20/46	408,369	419
3.00%, 8/20/42 - 4/20/46	256,995	269
3.50%, 12/20/42 - 6/20/46	796,983	848
4.00%, 9/20/40 - 12/20/45	597,356	640
4.50%, 10/20/39 - 9/15/45	293,661	321
5.00%, 3/20/34 - 8/20/41	184,030	206
5.50%, 10/20/32 - 6/20/44	81,329	91
6.00%, 2/20/34 - 4/15/36	8,220	10
6.50%, 3/15/26 - 12/20/33	6,704	8
7.00%, 9/20/27	6,608	8
8.00%, 10/15/25 - 4/15/26	1,214	1
Government National Mortgage Assn., CMO, IO 4.50%, 11/20/37-12/20/39	77,241	4
Government National Mortgage Assn., TBA 3.00%, 1/1/43	1,040,000	1,087
		3,912
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $12,868)		**13,095**

U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 4.1%

(Cost and value in $000s)	Shares/Par	$ Value
U.S. Treasury Obligations 4.1%		
U.S. Treasury Bonds 2.50%, 2/15/46	90,000	94
U.S. Treasury Bonds 3.00%, 11/15/44	300,000	345
U.S. Treasury Bonds 3.00%, 5/15/45	350,000	403
U.S. Treasury Bonds 3.125%, 2/15/43	485,000	572
U.S. Treasury Bonds 3.375%, 5/15/44	315,000	388
U.S. Treasury Bonds 4.625%, 2/15/40	305,000	449
U.S. Treasury Notes 0.625%, 11/30/17	200,000	200
U.S. Treasury Notes 0.75%, 4/30/18	465,000	466
U.S. Treasury Notes 1.375%, 5/31/21	320,000	326
U.S. Treasury Notes 1.50%, 11/30/19	790,000	808
U.S. Treasury Notes 1.625%, 8/31/19	575,000	591
U.S. Treasury Notes 1.625%, 5/15/26	260,000	263
U.S. Treasury Notes 1.875%, 6/30/20	150,000	156
U.S. Treasury Notes 2.00%, 8/31/21	485,000	508
U.S. Treasury Notes 2.75%, 2/15/19 (7)	465,000	490
U.S. Treasury Notes Inflation-Indexed 0.625%, 1/15/26	573,865	605
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost $6,163)		**6,664**

FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 0.4%

	Shares/Par	$ Value
DP World 6.85%, 7/2/37	100,000	110
Government of Bermuda 5.603%, 7/20/20 (5)	100,000	111
Petroleos Mexicanos 3.50%, 7/23/20	25,000	25
Petroleos Mexicanos 4.875%, 1/24/22	75,000	77
Province of Manitoba 1.30%, 4/3/17	55,000	55
Province of Manitoba 3.05%, 5/14/24	15,000	16
Province of Ontario 2.50%, 9/10/21	120,000	125
Swedish Export Credit 5.125%, 3/1/17	55,000	57

(Cost and value in $000s)	Shares/Par	$ Value
United Mexican States 4.00%, 10/2/23	114,000	123
Total Foreign Government Obligations & Municipalities (Cost $685)		**699**
MUNICIPAL SECURITIES 0.8%		
California 0.1%		
Bay Area Toll Auth. Build America 6.263%, 4/1/49	40,000	61
East Bay Municipal Utility Dist., Build America 5.874%, 6/1/40	60,000	83
Los Angeles Airport Build America, Series C 7.053%, 5/15/40	35,000	53
San Diego County Water Auth., Build America Series B, 6.138%, 5/1/49	25,000	36
		233
Colorado 0.0%		
Denver School Dist. No. 1 Public Schools, Series B COP, 4.242%, 12/15/37	20,000	22
		22
District of Columbia 0.0%		
District of Columbia Income Tax, Build America Series E, 5.591%, 12/1/34	10,000	13
		13
Florida 0.1%		
Florida Board of Administration Fin. Corp. Hurricane Catastrophe Fund Series A, 1.298%, 7/1/16	25,000	25
Florida Board of Administration Fin. Corp. Hurricane Catastrophe Fund Series A, 2.995%, 7/1/20	45,000	47
		72

(Cost and value in $000s)	Shares/Par	$ Value
Illinois 0.1%		
Metropolitan Water Reclamation Dist. of Greater Chicago, Build America 5.72%, 12/1/38	60,000	75
		75
Maryland 0.1%		
Maryland Transportation Auth., Build America 5.888%, 7/1/43	35,000	48
Maryland Transportation Auth., Build America Series B, 5.754%, 7/1/41	70,000	92
		140
New York 0.2%		
Metropolitan Transportation Auth., Dedicated Tax Fund Build America 7.336%, 11/15/39	10,000	16
New York City Build America, Series F-1 6.271%, 12/1/37	50,000	71
New York City Build America, Series H-1 5.846%, 6/1/40	55,000	76
Port Auth. of New York & New Jersey 4.458%, 10/1/62	85,000	97
		260
North Carolina 0.0%		
North Carolina Eastern Municipal Power Agency 1.561%, 7/1/17	15,000	15
North Carolina Eastern Municipal Power Agency 2.003%, 7/1/18	5,000	5
Univ. of North Carolina Board of Governors UNC Chapel Hill 3.847%, 12/1/34	45,000	51
		71

	Shares/Par	$ Value
(Cost and value in $000s)		
Ohio 0.0%		
JobsOhio Beverage System Liquid Profit, Series B 4.532%, 1/1/35	25,000	29
		29
Oregon 0.0%		
Oregon, Taxable Pension 5.892%, 6/1/27	15,000	20
		20
South Carolina 0.0%		
South Carolina Public Service Auth., Taxable Obligation Series E, 4.322%, 12/1/27	35,000	39
		39
Texas 0.0%		
Texas Transportation Commission, Build America Series B, 5.178%, 4/1/30	10,000	13
		13
Utah 0.1%		
Utah Transit Auth., Build America, Series B 5.937%, 6/15/39	60,000	83
		83
Virginia 0.1%		
Univ. of Virginia, Build America, 5.00%, 9/1/40	35,000	45
Virginia Public Building Auth. Build America 5.90%, 8/1/30	50,000	65
Virginia Transportation Board Build America 5.35%, 5/15/35	10,000	12
		122
Total Municipal Securities (Cost $983)		**1,192**

	Shares/Par	$ Value
(Cost and value in $000s)		
BOND MUTUAL FUNDS 12.3%		
T. Rowe Price Institutional Emerging Markets Bond Fund, 5.76% (8)(9)	756,921	6,736
T. Rowe Price Institutional High Yield Fund, 6.22% (8)(9)	762,368	6,480
T. Rowe Price Institutional International Bond Fund, 1.60% (8)(9)	736,152	6,633
Total Bond Mutual Funds (Cost $19,506)		**19,849**
EQUITY MUTUAL FUNDS 6.5%		
T. Rowe Price Institutional Emerging Markets Equity Fund (8)	242,078	6,948
T. Rowe Price Real Assets Fund (8)	333,716	3,594
Total Equity Mutual Funds (Cost $9,579)		**10,542**
SHORT-TERM INVESTMENTS 4.9%		
Money Market Funds 4.9%		
T. Rowe Price Reserve Investment Fund, 0.32% (8)(10)	7,866,597	7,867
Total Short-Term Investments (Cost $7,867)		**7,867**
SECURITIES LENDING COLLATERAL 0.3%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.1%		
Short-Term Funds 0.1%		
T. Rowe Price Short-Term Reserve Fund, 0.33% (8)(10)	139,928	140
Total Investments through Securities Lending Program with JPMorgan Chase Bank		**140**

	Shares/Par	$ Value
(Cost and value in $000s)		
Investments in a Pooled Account through Securities Lending Program with State Street Bank 0.2%		
Short-Term Funds 0.2%		
T. Rowe Price Short-Term Reserve Fund, 0.33% (8)(10)	375,453	375
Total Investments through Securities Lending Program with State Street Bank		**375**
Total Securities Lending Collateral (Cost $515)		**515**
Total Investments in Securities		
101.4% of Net Assets (Cost $135,018)		**$ 163,718**

‡ Shares/Par are denominated in U.S. dollars unless otherwise noted.
(1) All or a portion of this security is on loan at June 30, 2016 -- total value of such securities at period-end amounts to $498. See Note 4.
(2) Non-income producing
(3) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to $24 and represents 0.0% of net assets.
(4) Level 3 in fair value hierarchy. See Note 2.
(5) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $5,799 and represents 3.6% of net assets.
(6) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.
(7) At June 30, 2016, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
(8) Affiliated Company
(9) SEC 30-day yield
(10) Seven-day yield
(11) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.

ADR	American Depository Receipts
ARM	Adjustable Rate Mortgage
AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
CMO	Collateralized Mortgage Obligation
COP	Certificate of Participation
DKK	Danish Krone
ETC	Equipment Trust Certificate
EUR	Euro
GBP	British Pound
GDR	Global Depository Receipts
HKD	Hong Kong Dollar
IO	Interest Only security for which the fund receives interest on notional principal.
JPY	Japanese Yen
KRW	South Korean Won
NOK	Norwegian Krone
PTC	Pass-Through Certificate
REIT	A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder
SEK	Swedish Krona
SGD	Singapore Dollar
TBA	To Be Announced purchase commitment; TBAs totaled $2,249 (1.4% of net assets) at period-end - see Note 4.
TWD	Taiwan Dollar
VR	Variable Rate; rate shown is effective rate at period-end.

(Amounts in 000s, except market price)

SWAPS 0.0%

	Notional Amount	Market Value	Upfront Premiums Paid/(Received)	Unrealized Gain (Loss)
BILATERAL SWAPS 0.0%				
Credit Default Swaps, Protection Sold 0.0%				
Goldman Sachs, Protection Sold (Relevant Credit: GE Capital, 5.625% 9/15/17, $105.67*), Receive 0.185% Pay upon credit default, 6/20/17	120	$ —	$ 0	$ —
Total Bilateral Credit Default Swaps, Protection Sold			**0**	**—**
Total Bilateral Swaps			**$ 0**	**$ —**

***Market price at June 30, 2016**

($000s, except market price)

Futures Contracts

($000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Long, 1 U.S. Treasury Bonds 30 year contracts	9/16	$ 172	$ 9
Short, 9 U.S. Treasury Notes five year contracts	9/16	(1,099)	(19)
Long, 1 U.S. Treasury Notes two year contracts	9/16	219	2
Net payments (receipts) of variation margin to date			7
Variation margin receivable (payable) on open futures contracts			$ (1)

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2016. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/16	Value 12/31/15
T. Rowe Price Inflation Protected Bond Fund	$ —	$ 191	$ —	$ —	$ 182
T. Rowe Price Institutional Emerging Markets Bond Fund	335	748	210	6,736	6,618
T. Rowe Price Institutional Emerging Markets Equity Fund	200	816	—	6,948	6,765
T. Rowe Price Institutional High Yield Fund	613	743	212	6,480	6,213
T. Rowe Price Institutional International Bond Fund	55	739	55	6,633	6,582
T. Rowe Price Real Assets Fund	—	1,127	—	3,594	3,863
T. Rowe Price Reserve Investment Fund	¤	¤	10	7,867	5,150
T. Rowe Price Short-Term Reserve Fund	¤	¤	—^	515	644
Totals			$ 487	$ 38,773	$ 36,017

¤Purchase and sale information not shown for cash management funds.
^Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 4.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 37,467
Dividend income	487
Interest income	-
Investment income	$ 487
Realized gain (loss) on securities	$ (525)
Capital gain distributions from mutual funds	$ -

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

Statement of Assets and Liabilities

T. Rowe Price Personal Strategy Balanced Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $135,018)	$	163,718
Receivable for investment securities sold		1,337
Receivable for shares sold		718
Interest and dividends receivable		348
Foreign currency (cost $28)		28
Cash		3
Other assets		93
Total assets		166,245
Liabilities		
Payable for investment securities purchased		3,967
Obligation to return securities lending collateral		515
Investment management and administrative fees payable		176
Payable for shares redeemed		74
Variation margin payable on futures contracts		1
Other liabilities		37
Total liabilities		4,770
NET ASSETS	**$**	**161,475**
Net Assets Consist of:		
Overdistributed net investment income	$	(37)
Accumulated undistributed net realized gain		141
Net unrealized gain		28,689
Paid-in capital applicable to 8,486,076 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		132,682
NET ASSETS	**$**	**161,475**
NET ASSET VALUE PER SHARE	**$**	**19.03**

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

Statement of Operations

T. Rowe Price Personal Strategy Balanced Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Income	
Dividend	$ 1,318
Interest	568
Securities lending	7
Total income	1,893
Expense	
Investment management and administrative expense	709
Investment management fees waived	(105)
Total expenses	604
Net investment income	1,289
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	1,208
Futures	(112)
Foreign currency transactions	5
Net realized gain	1,101
Change in net unrealized gain / loss	
Securities	1,404
Futures	(19)
Other assets and liabilities denominated in foreign currencies	(1)
Change in net unrealized gain / loss	1,384
Net realized and unrealized gain / loss	2,485
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 3,774**

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

Statement of Changes in Net Assets

T. Rowe Price Personal Strategy Balanced Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 1,289	$ 2,958
Net realized gain	1,101	10,755
Change in net unrealized gain / loss	1,384	(13,398)
Increase in net assets from operations	3,774	315
Distributions to shareholders		
Net investment income	(1,353)	(3,036)
Net realized gain	–	(11,788)
Decrease in net assets from distributions	(1,353)	(14,824)
Capital share transactions*		
Shares sold	11,045	24,526
Distributions reinvested	1,353	14,823
Shares redeemed	(16,688)	(49,900)
Decrease in net assets from capital share transactions	(4,290)	(10,551)
Net Assets		
Decrease during period	(1,869)	(25,060)
Beginning of period	163,344	188,404
End of period	**$ 161,475**	**$ 163,344**
Undistributed (overdistributed) net investment income	(37)	27
*Share information		
Shares sold	594	1,180
Distributions reinvested	72	782
Shares redeemed	(899)	(2,405)
Decrease in shares outstanding	(233)	(443)

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

T. Rowe Price Equity Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The Personal Strategy Balanced (the fund) is a diversified, open-end management investment company established by the corporation. The fund incepted on December 30, 1994. The fund seeks the highest total return over time consistent with an emphasis on both capital appreciation and income. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions, if any, are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions from REITs are initially recorded as dividend income and, to the extent such represent a return of capital or capital gain for tax purposes, are reclassified when such information becomes available. Income distributions are declared and paid quarterly. Distributions to shareholders are recorded on the ex-dividend date. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Rebates Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $1,000 for the six months ended June 30, 2016.

NOTE 2 - VALUATION

The fund's financial instruments are valued and its net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Debt securities generally are traded in the OTC market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Generally, debt securities are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Financial futures contracts are valued at closing settlement prices and are categorized in Level 1 of the fair value hierarchy. Swaps are valued at prices furnished by independent swap dealers or by an independent pricing service and generally are categorized in Level 2 of the fair value hierarchy ; however, if unobservable inputs are significant to the valuation, the swap would be categorized in Level 3. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2016:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ 38,773	$ –	$ –	$ 38,773
Common Stocks	61,592	23,061	3	84,656
Convertible Preferred Stocks	–	39	21	60
Corporate Bonds	–	10,821	–	10,821
Asset-Backed Securities	–	3,632	–	3,632
Non-U.S. Government Mortgage-Backed Securities	–	4,126	–	4,126
U.S. Government & Agency Mortgage-Backed Securities	–	13,095	–	13,095
U.S. Government Agency Obligations (Excluding Mortgage-Backed)	–	6,664	–	6,664
Foreign Government Obligations & Municipalities	–	699	–	699
Municipal Securities	–	1,192	–	1,192
Total	$ 100,365	$ 63,329	$ 24	$ 163,718
Liabilities				
Futures Contracts	$ 1	$ –	$ –	$ 1

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2016.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2016. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at June 30, 2016, totaled $(4,000) for the six months ended June 30, 2016.

($000s)	Beginning Balance 1/1/16	Gain (Loss) During Period	Ending Balance 6/30/16
Investments in Securities			
Common Stocks	$ 3	$ –	$ 3
Convertible Preferred Stocks	25	(4)	21
Total Level 3	$ 28	$ (4)	$ 24

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2016, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. As of June 30, 2016, the fund held interest rate futures with cumulative unrealized gain of $11,000 and cumulative unrealized loss of $19,000; the value reflected on the accompanying Statement of Assets and Liabilities is the related unsettled variation margin.

Additionally, during the six months ended June 30, 2016, the fund recognized $112,000 of realized loss on Futures and a $(19,000) change in unrealized gain/loss on Futures related to its investments in interest rate derivatives; such amounts are included on the accompanying Statement of Operations.

Counterparty Risk and Collateral The fund invests in derivatives in various markets, which expose it to differing levels of counterparty risk. Counterparty risk on exchange-traded and centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps, is minimal because the clearinghouse provides protection against counterparty defaults. For futures and centrally cleared swaps, the fund is required to deposit collateral in an amount equal to a certain percentage of the contract value (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearing broker, in its sole discretion, may adjust the margin requirements applicable to the fund.

Derivatives, such as bilateral swaps, forward currency exchange contracts, and OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives) expose the fund to greater counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also provide collateral agreements. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs govern the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow net settlement in the event of contract termination and permit termination by either party prior to maturity upon the occurrence of certain stated events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate while a decline in the fund's net assets of more than a certain percentage would allow the counterparty to terminate. Upon termination, all bilateral derivatives with that counterparty would be liquidated and a net amount settled. ISDAs typically include collateral agreements whereas FX letters do not. Collateral requirements are determined based on the net aggregate unrealized gain or loss on all bilateral derivatives with each counterparty, subject to minimum transfer amounts that typically range from $100,000 to $250,000. Any additional collateral required due to changes in security values is transferred the next business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash and currencies posted by the fund are reflected as cash deposits in the accompanying financial statements and generally are restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account by the fund's custodian. As of June 30, 2016, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2016, securities valued at $16,000 had been posted by the fund for exchange-traded and/or centrally cleared derivatives.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rates, security prices, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset, and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the six months ended June 30, 2016, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 0% and 3% of net assets.

Swaps The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; or to adjust credit exposure. Swap agreements can be settled either directly with the counterparty (bilateral swap) or through a central clearinghouse (centrally cleared swap). Fluctuations in the fair value of a contract are reflected in unrealized gain or loss and are reclassified to realized gain or loss upon contract termination or cash settlement. Net periodic receipts or payments required by a contract increase or decrease, respectively, the value of the contract until the contractual payment date, at which time such amounts are reclassified from unrealized to realized gain or loss. For bilateral swaps, cash payments are made or received by the fund on a periodic basis in accordance with contract terms; unrealized gain on contracts and premiums paid are reflected as assets and unrealized loss on contracts and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. For centrally cleared swaps, payments are made or received by the fund each day to settle the daily fluctuation in the value of the contract (variation margin). Accordingly, the value of a centrally cleared swap included in net assets is the unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative weighting of the affected underlying security(ies) within the index. Generally, the payment risk for the seller of protection is inversely related to the current market price or credit rating of the underlying credit or the market value of the contract relative to the notional amount, which are indicators of the markets' valuation of credit quality. As of June 30, 2016, the notional amount of protection sold by the fund totaled $120,000 (0.1% of net assets), which reflects the maximum potential amount the fund could be required to pay under such contracts. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

During the six months ended June 30, 2016, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging and Frontier Markets The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of,or denominated in or linked to the currencies of emerging and frontier market countries; at period-end, approximately 10% of the fund's net assets were invested in emerging markets and 2% in frontier markets. Emerging markets, and to a greater extent frontier markets, generally have economic structures that are less diverse and mature, and political systems that are less stable, than developed countries. These markets may be subject to greater political, economic, and social uncertainty and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars. Such securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities. Investing in frontier markets is significantly riskier than investing in other countries, including emerging markets.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

TBA Purchase and Sale Commitments The fund may enter into to-be-announced (TBA) purchase or sale commitments, pursuant to which it agrees to purchase or sell, respectively, mortgage-backed securities for a fixed unit price, with payment and delivery at a scheduled future date beyond the customary settlement period for such securities. With TBA transactions, the particular securities to be delivered are not identified at the trade date; however, delivered securities must meet specified terms, including issuer, rate, and mortgage term, and be within industry-accepted "good delivery" standards. The fund may enter into TBA purchase transactions with the intention of taking possession of the underlying securities, may elect to extend the settlement by "rolling" the transaction, and/or may use TBAs to gain interim exposure to underlying securities. Until settlement, the fund maintains liquid assets sufficient to settle its TBA commitments.

To mitigate counterparty risk, the fund has entered into agreements with TBA counterparties that provide for collateral and the right to offset amounts due to or from those counterparties under specified conditions. Subject to minimum transfer amounts, collateral requirements are determined and transfers made based on the net aggregate unrealized gain or loss on all TBA commitments with a particular counterparty. At any time, the fund's risk of loss from a particular counterparty related to its TBA commitments is the aggregate unrealized gain on appreciated TBAs in excess of unrealized loss on depreciated TBAs and collateral received, if any, from such counterparty. As of June 30, 2016, no collateral was pledged by the fund or counterparties for TBAs.

Securities Lending The fund may lend its securities to approved brokers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested by the lending agent(s) in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At June 30, 2016, the value of loaned securities was $498,000; the value of cash collateral and related investments was $515,000.

Mortgage-Backed Securities The fund may invest in mortgage-backed securities (MBS or pass-through certificates) that represent an interest in a pool of specific underlying mortgage loans and entitle the fund to the periodic payments of principal and interest from those mortgages. MBS may be issued by government agencies or corporations, or private issuers. Most MBS issued by government agencies are guaranteed; however, the degree of protection differs based on the issuer. The fund also may invest in stripped MBS, created when a traditional MBS is split into an interest-only (IO) and a principal-only (PO) strip. MBS, including IOs and POs, are sensitive to changes in economic conditions that affect the rate of prepayments and defaults on the underlying mortgages; accordingly, the value, income, and related cash flows from MBS may be more volatile than other debt instruments. IOs also risk loss of invested principal from faster-than-anticipated prepayments.

Other Purchases and sales of portfolio securities other than short-term and U.S. government securities aggregated $33,777,000 and $40,799,000, respectively, for the six months ended June 30, 2016. Purchases and sales of U.S. government securities aggregated $32,396,000 and $31,549,000, respectively, for the six months ended June 30, 2016.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. As of December 31, 2015, the fund had $61,000 of available capital loss carryforwards.

At June 30, 2016, the cost of investments for federal income tax purposes was $137,092,000. Net unrealized gain aggregated $26,614,000 at period-end, of which $31,598,000 related to appreciated investments and $4,984,000 related to depreciated investments.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.90% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

The fund may invest in the T. Rowe Price Reserve Investment Fund, the T. Rowe Price Government Reserve Investment Fund, or the T. Rowe Price Short-Term Reserve Fund (collectively, the Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve Investment Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. The Price Reserve Investment Funds pay no investment management fees.

The fund may also invest in certain other T. Rowe Price funds (Price Funds) as a means of gaining efficient and cost-effective exposure to certain markets. The fund does not invest for the purpose of exercising management or control; however, investments by the fund may represent a significant portion of an underlying Price Fund's net assets. Each underlying Price Fund is an open-end management investment company managed by Price Associates and is considered an affiliate of the fund. To ensure that the fund does not incur duplicate management fees (paid by the underlying Price Fund(s) and the fund), Price Associates has agreed to permanently waive a portion of its management fee charged to the fund in an amount sufficient to fully offset that portion of management fees paid by each underlying Price Fund related to the fund's investment therein. Annual management fee rates and amounts waived related to investments in the underlying Price Fund(s) for the six months ended June 30, 2016, are as follows:

($000s)	Effective Management Fee Rate	Management Fee Waived
T. Rowe Price Institutional Emerging Markets Bond Fund	0.70%	$ 23
T. Rowe Price Institutional Emerging Markets Equity Fund	1.10%	37
T. Rowe Price Institutional High Yield Fund	0.50%	16
T. Rowe Price Institutional International Bond Fund	0.55%	17
T. Rowe Price Real Assets Fund	0.64%	12
Total		$ 105

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of June 30, 2016.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor
The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund
The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-, 5-, and 10-year periods, and compared these returns with a wide variety of comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale
The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Fees
The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses and the total expense ratio was equal to the all-inclusive management fee rate. After including reductions of the management fee that resulted from the fund's investments in other T. Rowe Price funds, the information provided to the Board indicated that the fund's management fee rate and total expense ratio were above the median for comparable funds.

Approval of Investment Management Agreement (continued)

The Board also reviewed the fee schedules for institutional accounts (including subadvised mutual funds) and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business differ from those of the Advisor's proprietary mutual fund business. The Board considered information showing that the Advisor's proprietary mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various other relevant factors, including the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its proprietary mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for another institutional account, and the degree to which the Advisor performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract

As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

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T.RowePrice®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

2016-US-24656

E304-051 8/16

June 30, 2016

Semiannual Report

Equity Income Portfolio

T. Rowe Price
INVEST WITH CONFIDENCE

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Equity Income Portfolio

Highlights

- U.S. stocks ended a rocky first half of 2016 slightly higher, but a global sell-off after the UK voted to leave the European Union (known as Brexit) interrupted the advance in June.
- The Equity Income Portfolio posted a solid gain in its fiscal year's first half, outperforming the return of the Standard & Poor's 500 Index and its Lipper peer group.
- Energy stocks were the portfolio's top contributors. The portfolio benefited from strong stock selection and an overweight to the sector, which rallied as oil prices rebounded from 13-year lows. Financials stocks detracted the most from returns.
- The Brexit decision unleashed many uncertainties impacting global business, economics, and trade. While Brexit-induced volatility may upend global stock and currency markets in the short term, it creates more opportunities for us to buy undervalued, higher dividend-yielding stocks at attractive prices.

Dear Investor

U.S. stocks rose in the first half of 2016, but the advance belied considerable turmoil over the period. After slumping early this year, stocks and oil prices rebounded starting in February as global growth concerns receded and the Federal Reserve signaled it would proceed cautiously in raising interest rates. The upswing was curtailed by the UK's decision to leave the European Union (known as Brexit) at the end of June, which sparked a decline in global markets that briefly pushed major U.S. stock indices into the red for the year. However, a subsequent rally erased Brexit-induced losses, resulting in a slight gain for U.S. stocks for the six months.

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
Equity Income Portfolio	6.71%
Equity Income Portfolio–II	6.58
S&P 500 Index	3.84
Lipper Variable Annuity Underlying Equity Income Funds Average	5.52

The Equity Income Portfolio rose 6.71% for the six months ended June 30, 2016, outperforming the 3.84% return of the Standard & Poor's 500 Index over the same period. The portfolio also outpaced the 5.52% return of its peer group, the Lipper Variable Annuity Underlying Equity Income Funds Average. (Returns for the Equity Income Portfolio–II reflect its different fee structure.) Energy stocks, which rallied sharply with the rebound in oil prices, contributed the most to performance. Information technology stocks also contributed significantly to returns. On the other hand, financials detracted the most from performance as low interest rates globally weighed on investor demand for financial companies and the Brexit vote threatened to derail economic growth in the UK and Europe, weakening the outlook for the profitability and stability of banks exposed to the region.

Market Environment

The U.S. stock market's first-half advance came amid a turbulent period for global financial markets. Stocks and oil prices dropped in the first six weeks of the year as investors worried about a worldwide recession resulting from China's economic slowdown and a global oversupply of oil, but turned around starting in February after concerns about the oil glut receded and Fed officials signaled they would go slower than expected in raising interest rates this year. The Brexit vote on June 23 derailed the U.S. market's advance, causing a two-day global stock sell-off and unprecedented volatility in the currency market. However, stocks rallied in the last three days of June, pushing the major domestic stock indices back into positive territory for the year. Large-cap stocks underperformed mid-cap stocks but outpaced small-caps. Value stocks exceeded growth across the capitalization spectrum.

Oil prices were extremely volatile over the period. U.S. oil prices hit a 13-year settlement low of roughly $26 a barrel in mid-February but rallied sharply in subsequent months, exceeding $50 a barrel in June before settling at roughly $48 a barrel at period-end. In all, eight out of 10 sectors in the S&P 500 advanced, led by telecommunication services and utilities, both of which climbed more than 20% as investors bid up dividend income-paying stocks. Energy and consumer staples followed up with more modest double-digit returns. The financials sector declined, while information technology stocks ended nearly flat.

Portfolio Review

Before launching into a discussion of your portfolio's positioning, we would like to recap our investment strategy. The Equity Income Portfolio seeks to buy well-established, large-cap companies that typically have a strong record of paying dividends and that appear to be undervalued by the market. Our holdings tend to be solid, higher-quality companies going through a period of underperformance, reflecting our dual focus on valuation and dividend yield. Most of our holdings are U.S. companies, though we will invest in opportunities overseas if they meet our investment criteria. We are bottom-up investors, meaning that we select stocks based on their individual merits as opposed to broader market or economic trends.

Sector Diversification

	Percent of Net Assets	
	12/31/15	6/30/16
Financials	25.3%	21.9%
Industrials and Business Services	14.1	14.6
Energy	10.8	12.1
Health Care	9.6	9.4
Information Technology	10.5	8.9
Consumer Discretionary	10.0	8.7
Utilities	7.7	8.4
Consumer Staples	3.8	5.0
Materials	4.5	4.9
Telecommunication Services	3.1	2.9
Other and Reserves	0.6	3.2
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Energy stocks were the best performers in this year's first half, a reversal from 2015 when oil and natural gas prices collapsed amid concerns of excess supply and slowing global growth. Global oil majors **ExxonMobil** and **Royal Dutch Shell** and oil and gas exploration and production companies **Canadian Natural Resources** and **Apache** ranked among the portfolio's top contributors. All these names generated gains exceeding 20% as U.S. oil prices rebounded from February's lows and crossed the $50 a barrel threshold in June for the first time in nearly a year. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio).

While energy stocks may be prone to further weakness given historically low oil prices and high debt levels across the industry, we believe that our holdings have attributes that will allow them to hold up even if oil prices remain under pressure. Our energy holdings have solid balance sheets, access to low-cost sources of oil and natural gas, and lower cost structures. ExxonMobil and Royal Dutch Shell remain core holdings for their strong balance sheets and attractive dividend yields. We initiated French oil producer **Total**, which we think has some of the best oil and gas assets and trades at the most attractive valuation among the global oil majors. Total is nearing the end of a large capital spending cycle and starting to generate cash from recently completed projects. Moreover, a new management team is cutting costs and focusing on generating strong returns on invested capital. We trimmed Apache because we believed its risk/reward profile became less favorable following the rally in energy stocks.

Financial Profile

As of 6/30/16	Equity Income Portfolio	S&P 500 Index
Price/Book Ratio	2.6X	3.7X
Price/Earnings Ratio (Based on next 12 months' estimated earnings)*	15.9X	18.4X
Historical Beta (Based on monthly returns for five years)	1.0	1.0

*Source for data: IBES. Statistics are based on the companies in the portfolio and are not a projection of future portfolio performance.

Information technology was the largest underweight sector at period-end but lifted results thanks to favorable stock selection. Large contributors included semiconductor manufacturing equipment maker **Applied Materials**, which reported surprisingly strong earnings and forecasts, and chipmaker **Texas Instruments**, whose shares rose to a record this spring. We reduced our holdings in both, though Applied Materials remains a sizable position. One notable addition was **Apple**, which we initiated on weakness earlier this year. Apple has long been synonymous with growth, but the company's shares have slid since mid-2015 as iPhone sales have dropped, reinforcing the view that its high-growth days are over. We believe that Apple is in the early stages of transitioning from a product-driven growth company into a services-dependent value company. Though Apple potentially faces a bumpy transition as it shifts from hardware to services, the company generates tens of billions of dollars in cash every year, much of which it could return to shareholders through dividends or share buybacks. Apple also has numerous ways to unlock value through monetizing its large and loyal customer base, which we see as a vastly underappreciated asset.

Turning to detractors, financials was the biggest drag on performance. Most of the portfolio's largest decliners were banks and insurance companies whose shares slumped this year amid an array of concerns including nonperforming loans to energy companies, difficult trading conditions in the first quarter, and low interest rates globally. June's Brexit vote dealt another blow to financials as investors worried that the decision would hurt economic growth in the UK and Europe and spur global central banks to further ease monetary policy, which would push interest rates even lower worldwide and severely impact the profitability and stability of many companies in the sector. **Bank of America**, **Royal Bank of Scotland**, **MetLife**, **Morgan Stanley**, **Citigroup**, and **State Street** represented the heaviest detractors for the period. While we made adjustments to some positions—such as trimming Bank of America and adding to Morgan Stanley—we generally maintained a significant weighting in financials. Low interest rates have squeezed profits at financial companies in recent years, but we believe the current low-rate environment is unsustainable over the long term. Once interest rates revert to normalized levels, we believe our financials holdings will generate stronger earnings and, as a result, deliver better stock performance.

Outlook

The U.S. economy continued to strengthen in the past six months, but the risks for investors have grown following the Brexit vote. Last December, we expressed concern about a strong U.S. dollar, China's slowdown, a tepid U.S. recovery, and the collapse in commodity prices. Despite this year's commodities recovery, most of these risks still linger, though Brexit-induced uncertainty has superseded these concerns for now. Many private economists promptly reduced their near-term growth forecasts for the UK and the eurozone following the Brexit vote. But we believe that only time will tell whether Brexit ends up being a disruptive event on the same scale as the 2007–2008 global financial crisis or a tempest in a teapot. We anticipate that the U.S. stock market will lurch between these two extremes as Brexit's longer-term consequences become more apparent. The UK economy has many corrective mechanisms that should help stabilize activity during times of crisis, but whether these mechanisms can contain Brexit-induced financial and economic turmoil is still uncertain.

We remain concerned about the strong dollar, which faces renewed upward pressure due to greater risk aversion. Because a strong dollar hurts the profitability of U.S. companies doing business overseas, its appreciation has fueled concerns about weak corporate earnings. For the second quarter of 2016, analysts currently expect S&P 500 companies to report the fifth straight quarter of lower earnings and sixth straight quarter of lower revenue from a year earlier, according to FactSet. Though analysts still project a slight increase in earnings and revenue for the full year, a stronger dollar could thwart an expected earnings recovery.

We continue to expect a choppy environment for U.S. stocks for the rest of 2016 as investors alternately focus on the positive and negative forces driving the market. Geopolitical events—which are nearly impossible to predict—will likely have an outsized impact on financial markets in the coming months. While we realize that volatility can be unnerving for many investors, we would remind shareholders that volatility also yields stock-picking opportunities for active managers. Our focus continues to be on investing in companies benefiting from a confluence of compelling valuations, attractive fundamentals, and strong dividend yields.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

John D. Linehan
President of the portfolio and chairman of its Investment Advisory Committee

Heather McPherson
Associate portfolio manager

July 11, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the portfolio's investment program.

Risks of Investing

Value investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced.

Glossary

Dividend yield: The annual dividend of a stock divided by the stock's price.

Earnings growth rate–current fiscal year: Measures the annualized percent change in earnings per share from the prior fiscal year to the current fiscal year.

Lipper indexes: Fund benchmarks that consist of a small number (10 to 30) of the largest mutual funds in a particular category as tracked by Lipper Inc.

Price-to-earnings (P/E) ratio–current fiscal year: A valuation measure calculated by dividing the price of a stock by its reported earnings per share from the latest fiscal year. The ratio is a measure of how much investors are willing to pay for the company's earnings. The higher the P/E, the more investors are paying for the company's current earnings.

Price-to-earnings (P/E) ratio–next fiscal year: A valuation measure calculated by dividing the price of a stock by its estimated earnings for the next fiscal year. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for the company's expected earnings growth in the next fiscal year.

Price-to-earnings (P/E) ratio–12 months forward: A valuation measure calculated by dividing the price of a stock by the analysts' forecast of the next 12 months' expected earnings. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for the company's earnings growth in the next 12 months.

Glossary (continued)

Projected earnings growth rate (IBES): A company's expected earnings per share growth rate for a given time period based on the forecast from the Institutional Brokers' Estimate System, which is commonly referred to as IBES.

S&P 500 Index: An unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies.

Portfolio Highlights

Twenty-Five Largest Holdings

	Percent of Net Assets 6/30/16
GE	3.0%
JPMorgan Chase	3.0
ExxonMobil	2.7
Pfizer	2.3
Johnson & Johnson	1.9
Microsoft	1.9
Boeing	1.9
Royal Dutch Shell	1.8
Verizon Communications	1.7
Loews	1.5
EI du Pont de Nemours	1.4
Total	1.4
Morgan Stanley	1.4
Tyco International	1.4
MetLife	1.3
PG&E	1.3
Marsh & McLennan	1.3
NiSource	1.3
Harris	1.2
Applied Materials	1.2
American Express	1.2
Qualcomm	1.2
Archer-Daniels-Midland	1.2
Twenty-First Century Fox	1.2
Canadian Natural Resources	1.2
Total	40.9%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Portfolio Highlights

Major Portfolio Changes

Listed in descending order of size.
Six Months Ended 6/30/16

LARGEST PURCHASES	LARGEST SALES
Total	Dell**
CF Industries*	GE
Twenty-First Century Fox	Apache
Diageo*	EMC**
Western Digital	Johnson & Johnson
Chubb	Twenty-First Century Fox
Tyco International	Chubb
Flowserve*	Mattel
Becton, Dickinson & Company	Merck
Ameriprise Financial	Digital Realty Trust**

12 Months Ended 6/30/16

LARGEST PURCHASES	LARGEST SALES
Twenty-First Century Fox*	U.S. Bancorp
Morgan Stanley*	AT&T**
State Street*	GE
Citigroup*	Wells Fargo
Total*	Duke Energy**
Anthem*	PNC Financial Services Group
Ameriprise Financial*	Time Warner
Tyco International	SunTrust**
PG&E*	Chevron
Pentair*	Honeywell International**

*Position added.
**Position eliminated.

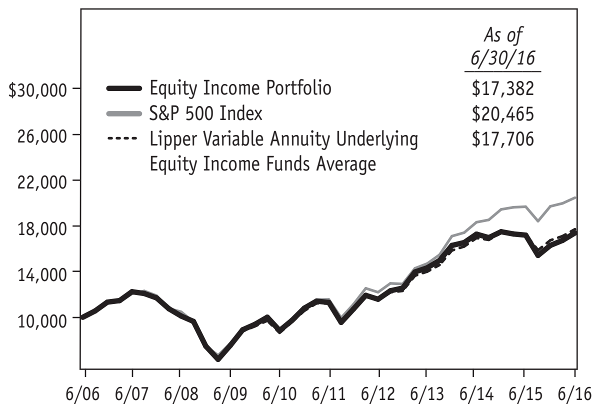
Performance and Expenses

T. Rowe Price Equity Income Portfolio

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Equity Income Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
Equity Income Portfolio	1.13%	9.00%	5.68%
Equity Income Portfolio–II	0.86	8.72	5.42

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Returns do not reflect taxes that the shareholder may pay on distributions or the redemption of shares. Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses

The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. 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. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Equity Income Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Equity Income Portfolio			
Actual	$1,000.00	$1,067.10	$4.37
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.64	4.27
Equity Income Portfolio–II			
Actual	1,000.00	1,065.80	5.65
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.39	5.52

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Equity Income Portfolio was 0.85%, and the Equity Income Portfolio—II was 1.10%.

Financial Highlights
T. Rowe Price Equity Income Portfolio
(Unaudited)

Equity Income Class

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 26.81	$ 30.02	$ 28.45	$ 22.27	$ 19.42	$ 19.92
Investment activities						
Net investment income[1]	0.24	0.52	0.50	0.40	0.42	0.36
Net realized and unrealized gain / loss	1.55[2]	(2.58)	1.58	6.18	2.89	(0.51)
Total from investment activities	1.79	(2.06)	2.08	6.58	3.31	(0.15)
Distributions						
Net investment income	(0.24)	(0.53)	(0.51)	(0.40)	(0.46)	(0.35)
Net realized gain	-	(0.62)	-	-	-	-
Total distributions	(0.24)	(1.15)	(0.51)	(0.40)	(0.46)	(0.35)
NET ASSET VALUE						
End of period	**$ 28.36**	**$ 26.81**	**$ 30.02**	**$ 28.45**	**$ 22.27**	**$ 19.42**

Ratios/Supplemental Data

Total return[3]	**6.71%[2]**	**(6.85)%**	**7.38%**	**29.72%**	**17.15%**	**(0.71)%**
Ratio of total expenses to average net assets	0.85%[4]	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of net investment income to average net assets	1.79%[4]	1.78%	1.72%	1.57%	2.00%	1.81%
Portfolio turnover rate	9.9%	27.5%	11.4%	12.7%	15.9%	19.3%
Net assets, end of period (in millions)	$ 555	$ 605	$ 851	$ 852	$ 694	$ 816

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 5. Includes a voluntary payment from Price Associates, representing $0.13 per share based upon shares outstanding on the date of payment. The payment increased total return by 0.48%
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(4) Annualized

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

Financial Highlights

T. Rowe Price Equity Income Portfolio
(Unaudited)

Equity Income-II Class

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 26.73	$ 29.94	$ 28.38	$ 22.22	$ 19.37	$ 19.88
Investment activities						
Net investment income[1]	0.20	0.44	0.43	0.34	0.36	0.31
Net realized and unrealized gain / loss	1.55[2]	(2.57)	1.57	6.16	2.90	(0.52)
Total from investment activities	1.75	(2.13)	2.00	6.50	3.26	(0.21)
Distributions						
Net investment income	(0.20)	(0.46)	(0.44)	(0.34)	(0.41)	(0.30)
Net realized gain	-	(0.62)	-	-	-	-
Total distributions	(0.20)	(1.08)	(0.44)	(0.34)	(0.41)	(0.30)
NET ASSET VALUE						
End of period	**$ 28.28**	**$ 26.73**	**$ 29.94**	**$ 28.38**	**$ 22.22**	**$ 19.37**

Ratios/Supplemental Data

Total return[3]	**6.58%[2]**	**(7.10)%**	**7.10%**	**29.41%**	**16.92%**	**(1.02)%**
Ratio of total expenses to average net assets	1.10%[4]	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income to average net assets	1.53%[4]	1.51%	1.47%	1.32%	1.75%	1.56%
Portfolio turnover rate	9.9%	27.5%	11.4%	12.7%	15.9%	19.3%
Net assets, end of period (in thousands)	$ 215,049	$ 270,238	$ 406,097	$ 392,357	$ 297,990	$ 482,882

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 5. Includes a voluntary payment from Price Associates, representing $0.13 per share based upon shares outstanding on the date of payment. The payment increased total return by 0.46%
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(4) Annualized

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

Portfolio of Investments‡

T. Rowe Price Equity Income Portfolio
June 30, 2016 (Unaudited)

(Cost and value in $000s)

	Shares/Par	$ Value
COMMON STOCKS 96.8%		
Consumer Discretionary 8.7%		
Auto Components 0.6%		
Johnson Controls	100,400	4,444
		4,444
Automobiles 0.4%		
General Motors	115,237	3,261
		3,261
Hotels, Restaurants & Leisure 1.5%		
Carnival	107,800	4,765
Las Vegas Sands	160,600	6,984
		11,749
Leisure Products 1.1%		
Mattel	260,900	8,164
		8,164
Media 3.7%		
Comcast, Class A	139,700	9,107
News Corp, Class A	469,800	5,332
Time Warner	11,566	851
Twenty-First Century Fox	340,200	9,270
Walt Disney	43,700	4,275
		28,835
Multiline Retail 1.2%		
Kohl's	146,400	5,551
Macy's	116,800	3,926
		9,477
Specialty Retail 0.2%		
Staples	162,300	1,399
		1,399
Total Consumer Discretionary		**67,329**
Consumer Staples 5.0%		
Beverages 1.7%		
Diageo (GBP)	173,782	4,863
PepsiCo	81,000	8,581
		13,444

(Cost and value in $000s)

	Shares/Par	$ Value
Food & Staples Retailing 0.9%		
Wal-Mart	99,500	7,265
		7,265
Food Products 2.0%		
Archer-Daniels-Midland	216,800	9,298
Kellogg	61,000	4,981
McCormick	7,800	832
		15,111
Personal Products 0.2%		
Avon	335,600	1,269
		1,269
Tobacco 0.2%		
Philip Morris International	17,400	1,770
		1,770
Total Consumer Staples		**38,859**
Energy 12.1%		
Oil, Gas & Consumable Fuels 12.1%		
Anadarko Petroleum	15,400	820
Apache	157,700	8,779
Canadian Natural Resources	296,700	9,147
Chevron	76,852	8,056
Columbia Pipeline	214,700	5,473
EQT	29,210	2,262
ExxonMobil	225,722	21,159
Hess	110,200	6,623
Occidental Petroleum	77,300	5,841
PrairieSky Royalty	6,024	113
Royal Dutch Shell, ADR	251,700	13,899
Total (EUR)	222,572	10,733
Total, Rights 6/30/16 (EUR)(1)	187,552	—
Total Energy		**92,905**
Financials 21.9%		
Banks 8.2%		
Bank of America	670,975	8,904

	Shares/Par	$ Value
(Cost and value in $000s)		
Citigroup	196,800	8,342
Fifth Third Bancorp	261,500	4,600
JPMorgan Chase	369,041	22,932
PNC Financial Services Group	60,300	4,908
Royal Bank of Scotland (GBP)(1)	1,194,598	2,813
U.S. Bancorp	51,800	2,089
Wells Fargo	185,520	8,781
		63,369
Capital Markets 5.7%		
Ameriprise Financial	90,600	8,140
Bank of New York Mellon	172,900	6,717
Morgan Stanley	411,300	10,686
Northern Trust	138,000	9,144
Och-Ziff Capital Management Partnership	235,600	895
State Street	151,400	8,164
		43,746
Consumer Finance 1.2%		
American Express	155,900	9,472
		9,472
Insurance 5.0%		
Chubb	11,150	1,457
Loews	289,200	11,883
Marsh & McLennan	148,900	10,194
MetLife	258,800	10,308
Willis Towers Watson	21,330	2,652
XL Group	62,900	2,095
		38,589
Real Estate Investment Trusts 1.8%		
Macerich Company, REIT	24,100	2,058
Rayonier, REIT	183,700	4,820
Weyerhaeuser, REIT	218,092	6,493
		13,371
Total Financials		**168,547**

	Shares/Par	$ Value
(Cost and value in $000s)		
Health Care 9.4%		
Biotechnology 0.5%		
Gilead Sciences	48,300	4,029
		4,029
Health Care Equipment & Supplies 1.0%		
Becton, Dickinson & Company	30,500	5,172
Medtronic	26,400	2,291
		7,463
Health Care Providers & Services 1.1%		
Anthem	63,100	8,288
		8,288
Pharmaceuticals 6.8%		
Bristol-Myers Squibb	117,900	8,672
GlaxoSmithKline (GBP)	231,044	4,967
Johnson & Johnson	120,100	14,568
Merck	122,400	7,051
Pfizer	496,314	17,475
		52,733
Total Health Care		**72,513**
Industrials & Business Services 14.6%		
Aerospace & Defense 3.3%		
Boeing	109,700	14,247
Harris	114,750	9,575
United Technologies	16,200	1,661
		25,483
Air Freight & Logistics 0.9%		
UPS, Class B	65,200	7,024
		7,024
Airlines 0.3%		
Southwest Airlines	54,300	2,129
		2,129
Commercial Services & Supplies 1.4%		
Tyco International	248,900	10,603
		10,603

(Cost and value in $000s)	Shares/Par	$ Value
Electrical Equipment 1.0%		
Emerson Electric	143,500	7,485
		7,485
Industrial Conglomerates 3.0%		
GE	736,000	23,169
		23,169
Machinery 3.6%		
Cummins	37,900	4,261
Deere	81,700	6,621
Flowserve	58,800	2,656
Illinois Tool Works	80,200	8,354
Pentair	97,700	5,695
		27,587
Road & Rail 1.1%		
Canadian Pacific Railway	21,300	2,743
Union Pacific	67,600	5,898
		8,641
Total Industrials & Business Services		**112,121**
Information Technology 8.9%		
Communications Equipment 1.1%		
Cisco Systems	304,700	8,742
		8,742
Electronic Equipment, Instruments & Components 0.3%		
TE Connectivity	38,200	2,182
		2,182
Semiconductor & Semiconductor Equipment 4.3%		
Analog Devices	100,000	5,664
Applied Materials	398,300	9,547
Qualcomm	176,500	9,455
Texas Instruments	137,300	8,602
		33,268
Software 2.1%		
CA	42,500	1,395
Microsoft	282,100	14,435
		15,830

(Cost and value in $000s)	Shares/Par	$ Value
Technology Hardware, Storage & Peripherals 1.1%		
Apple	24,900	2,381
Western Digital	126,900	5,997
		8,378
Total Information Technology		**68,400**
Materials 4.9%		
Chemicals 2.0%		
CF Industries	177,100	4,268
EI du Pont de Nemours	170,700	11,061
Ingevity (1)	1,520	52
		15,381
Construction Materials 0.8%		
Vulcan Materials	53,400	6,427
		6,427
Containers & Packaging 1.3%		
International Paper	213,353	9,042
Westrock	22,508	875
		9,917
Metals & Mining 0.8%		
Nucor	125,400	6,196
		6,196
Total Materials		**37,921**
Telecommunication Services 2.9%		
Diversified Telecommunication Services 2.6%		
CenturyLink	133,207	3,864
Telefonica (EUR)	281,545	2,691
Verizon Communications	235,970	13,177
		19,732
Wireless Telecommunication Services 0.3%		
Vodafone (GBP)	854,573	2,602
		2,602
Total Telecommunication Services		**22,334**

(Cost and value in $000s)

	Shares/Par	$ Value
Utilities 8.4%		
Electric Utilities 5.9%		
Edison International	99,100	7,697
Entergy	97,900	7,964
Exelon	145,000	5,272
FirstEnergy	217,820	7,604
PG&E	159,800	10,215
XCEL Energy	155,200	6,950
		45,702
Independent Power & Renewable Electricity Producers 1.2%		
AES	704,100	8,787
		8,787
Multi-Utilities 1.3%		
NiSource	381,000	10,103
		10,103
Total Utilities		**64,592**
Total Common Stocks (Cost $581,432)		**745,521**
CORPORATE BONDS 0.2%		
Valeant Pharmaceuticals 5.875%, 5/15/23 (2)	292,000	236
Valeant Pharmaceuticals 6.375%, 10/15/20 (2)	75,000	64
Western Digital 10.50%, 4/1/24 (2)	1,200,000	1,284
Total Corporate Bonds (Cost $1,503)		**1,584**
SHORT-TERM INVESTMENTS 1.3%		
Money Market Funds 1.3%		
T. Rowe Price Reserve Investment Fund, 0.32% (3)(4)	9,817,508	9,818
Total Short-Term Investments (Cost $9,818)		**9,818**

(Cost and value in $000s)

	$ Value
Total Investments in Securities	
98.3% of Net Assets (Cost $592,753)	**$ 756,923**

‡ Shares/Par are denominated in U.S. dollars unless otherwise noted.
(1) Non-income producing
(2) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $1,584 and represents 0.2% of net assets.
(3) Seven-day yield
(4) Affiliated Company
ADR American Depository Receipts
EUR Euro
GBP British Pound
REIT A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2016. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/16	Value 12/31/15
T. Rowe Price Reserve Investment Fund	¤	¤	$ 17	$ 9,818	$ 5,124
Totals			$ 17	$ 9,818	$ 5,124

¤Purchase and sale information not shown for cash management funds.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 9,818
Dividend income	17
Interest income	-
Investment income	$ 17
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual funds	$ -

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

Statement of Assets and Liabilities

T. Rowe Price Equity Income Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $592,753)	$	756,923
Receivable for investment securities sold		14,802
Dividends and interest receivable		1,297
Foreign currency (cost $109)		108
Receivable for shares sold		93
Cash		13
Other assets		135
Total assets		773,371
Liabilities		
Payable for shares redeemed		1,596
Payable for investment securities purchased		1,335
Investment management and administrative fees payable		692
Other liabilities		126
Total liabilities		3,749
NET ASSETS	**$**	**769,622**
Net Assets Consist of:		
Undistributed net investment income	$	658
Accumulated undistributed net realized gain		51,271
Net unrealized gain		164,156
Paid-in capital applicable to 27,155,309 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		553,537
NET ASSETS	**$**	**769,622**
NET ASSET VALUE PER SHARE		
Equity Income Class ($554,572,593 / 19,552,226 shares outstanding)	**$**	**28.36**
Equity Income - II Class ($215,049,323 / 7,603,083 shares outstanding)	**$**	**28.28**

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

Statement of Operations

T. Rowe Price Equity Income Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Income	
Dividend	$ 10,343
Interest	41
Total income	10,384
Expenses	
Investment management and administrative expense	3,355
Rule 12b-1 fees - Equity Income-II Class	284
Total expenses	3,639
Net investment income	6,745
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	29,131
Foreign currency transactions	(75)
Payment from Price Associates (Note 5)	3,601
Net realized gain	32,657
Change in net unrealized gain / loss	
Securities	8,644
Other assets and liabilities denominated in foreign currencies	(9)
Change in net unrealized gain / loss	8,635
Net realized and unrealized gain / loss	41,292
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 48,037**

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

Statement of Changes in Net Assets

T. Rowe Price Equity Income Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 6,745	$ 18,563
Net realized gain	32,657	64,276
Change in net unrealized gain / loss	8,635	(160,680)
Increase (decrease) in net assets from operations	48,037	(77,841)
Distributions to shareholders		
Net investment income		
Equity Income Class	(4,836)	(13,036)
Equity Income-II Class	(1,585)	(5,429)
Net realized gain		
Equity Income Class	–	(14,154)
Equity Income-II Class	–	(6,239)
Decrease in net assets from distributions	(6,421)	(38,858)
Capital share transactions*		
Shares sold		
Equity Income Class	25,585	49,168
Equity Income-II Class	22,416	47,122
Distributions reinvested		
Equity Income Class	4,836	27,191
Equity Income-II Class	1,585	11,668
Shares redeemed		
Equity Income Class	(111,431)	(242,599)
Equity Income-II Class	(89,847)	(157,608)
Decrease in net assets from capital share transactions	(146,856)	(265,058)
Net Assets		
Decrease during period	(105,240)	(381,757)
Beginning of period	874,862	1,256,619
End of period	**$ 769,622**	**$ 874,862**
Undistributed net investment income	658	334
*Share information		
Shares sold		
Equity Income Class	937	1,690
Equity Income-II Class	837	1,631
Distributions reinvested		
Equity Income Class	177	1,004
Equity Income-II Class	58	432
Shares redeemed		
Equity Income Class	(4,115)	(8,472)
Equity Income-II Class	(3,403)	(5,518)
Decrease in shares outstanding	(5,509)	(9,233)

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

T. Rowe Price Equity Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The Equity Income Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks a high level of dividend income and long-term capital growth primarily through investments in stocks. The fund has two classes of shares: the Equity Income Portfolio original share class (Equity Income Class), incepted on March 31, 1994, and the Equity Income Portfolio–II (Equity Income–II Class), incepted on April 30, 2002. Equity Income–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions, if any, are reflected as realized gain/loss. Earnings on investments recognized as partnerships for federal income tax purposes reflect the tax character of such earnings. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions from REITs are initially recorded as dividend income and, to the extent such represent a return of capital or capital gain for tax purposes, are reclassified when such information becomes available. Income distributions are declared and paid by each class quarterly. Distributions to shareholders are recorded on the ex-dividend date. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting Investment income, investment management and administrative expense, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. Equity Income–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

NOTE 2 - VALUATION

The fund's financial instruments are valued and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Debt securities generally are traded in the OTC market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Generally, debt securities are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2016:

($000s)	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Value
Investments in Securities, except:	$ 9,818	$ –	$ –	$ 9,818
Common Stocks	716,852	28,669	–	745,521
Corporate Bonds	–	1,584	–	1,584
Total	$ 726,670	$ 30,253	$ –	$ 756,923

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2016.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2016. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at June 30, 2016, totaled $(1,494,000) for the six months ended June 30, 2016.

($000s)	Beginning Balance 1/1/16	Gain (Loss) During Period	Total Sales	Ending Balance 6/30/16
Investments in Securities				
Convertible Preferred Stock	$ 9,430	$ –	$ (9,430)	$ –

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $78,151,000 and $236,618,000, respectively, for the six months ended June 30, 2016.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2016, the cost of investments for federal income tax purposes was $598,619,000. Net unrealized gain aggregated $158,290,000 at period-end, of which $203,473,000 related to appreciated investments and $45,183,000 related to depreciated investments.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.85% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

The fund may invest in the T. Rowe Price Reserve Investment Fund, the T. Rowe Price Government Reserve Investment Fund, or the T. Rowe Price Short-Term Reserve Fund (collectively, the Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve Investment Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. The Price Reserve Investment Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of June 30, 2016.

On June 6, 2016, Price Associates offered, and the fund's Board of Directors accepted, a voluntary payment to compensate the fund for a loss of value on its investment in Dell as a result of the fund's ineligibility to pursue an appraisal action in Delaware court due to a proxy voting error in 2013 (the Offer). The payment from Price Associates was received in cash on June 10, 2016. Subsequently, a final settlement to the appraisal action was negotiated with Dell, pursuant to which the fund received the original merger consideration plus negotiated interest. The negotiated interest, net of contingent legal fees, approximated $0.75 per Dell share and was received by the fund on June 30; the original merger consideration was received on July 1. The settlement from Dell is reflected as realized gain/loss on securities in the accompanying financial statements. The payment from Price Associates, reduced by the settlement from Dell in accordance with the terms of the Offer, was $3,601,000 and increased the total return by 0.48% and 0.46% for the Equity Income Class and Equity Income-II Class, respectively for the six months ended June 30, 2016. The amount paid by Price Associates may be further increased or decreased in the future, in the event there is a court-determined change in the fair valuation of Dell shares on appeal, or payment is received by the fund from any other source to compensate for the loss of value on its Dell shares.

NOTE 6 - LITIGATION

The fund is a named defendant or in a class of defendants in a lawsuit that the Unsecured Creditors Committee (the Committee) of the Tribune Company has filed in Delaware bankruptcy court. The Committee is seeking to recover all payments made to beneficial owners of common stock in connection with a leveraged buyout (LBO) of Tribune, including those made in connection with a 2007 tender offer in which the fund participated. A motion to dismiss is currently pending. The fund was named, also, as a defendant or included in a class of defendants in parallel litigation, which was dismissed by district court and affirmed on appeal by the Second Circuit Court of Appeals. This second action asserted state law constructive fraudulent transfer claims in an attempt to recover stock redemption payments made to shareholders at the time of the LBO. The complaints allege no misconduct by the fund, and management has vigorously defended the lawsuits. The value of the proceeds received by the fund is $25,684,000 (3.34% of net assets), and the fund will incur legal expenses. Management is currently assessing the case and has not yet determined the effect, if any, on the fund's net assets and results of operations.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund

The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-year, 5-year, and 10-year periods, and compared these returns with a wide variety of comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Fees

The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio (for the Original Class and II Class) in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses, and the total expense ratio was equal to the all-inclusive management fee rate. The information provided to the Board indicated that the fund's management fee rate and total expense ratio for both classes were above the median for comparable funds.

Approval of Investment Management Agreement (continued)

The Board also reviewed the fee schedules for institutional accounts (including subadvised mutual funds) and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business differ from those of the Advisor's proprietary mutual fund business. The Board considered information showing that the Advisor's proprietary mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various other relevant factors, including the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its proprietary mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for another institutional account and the degree to which the Advisor performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract
As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

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T. Rowe Price®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

2016-US-24591

E300-051 8/16

June 30, 2016

Semiannual Report

International Stock Portfolio

T. Rowe Price
INVEST WITH CONFIDENCE

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price International Stock Portfolio

Highlights

- International stocks were volatile and posted losses in the first half of the year.
- The International Stock Portfolio declined 0.68% during the six months ended June 30, 2016, which was in line with the MSCI All Country World Index ex USA and significantly better than our Lipper peer group average.
- We are focused on buying and holding growth companies with durable franchises that can generate stable earnings and cash flow at a double-digit rate over the long term.
- We are finding high-quality companies with attractive growth prospects, although economic growth in many markets remains modest.

Dear Investor

International stocks were volatile in the six months ended June 30, 2016, particularly in the waning days of the period following the UK's vote to leave the European Union. Equities produced mixed performance across regions, countries, and sectors. We are disappointed to report a loss, although the portfolio's performance essentially matched its benchmark, the MSCI All Country World Index ex USA, and outperformed its Lipper peer group average. We continue to identify high-quality growth companies with superior products or services that are taking market share. Ideally, we attempt to buy these businesses when they are out of favor in the market for short-term cyclical reasons.

Performance Review

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
International Stock Portfolio	-0.68%
MSCI All Country World Index ex USA	-0.67
Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	-2.36

Our results versus the MSCI index benefited from stock selection, especially in the information technology, consumer discretionary, and consumer staples sectors. However, stock selection in the industrials and business services and financials sectors hurt relative results. Sector allocation decisions detracted from relative performance almost entirely because of our underweight allocations in the energy and materials sectors. We have been challenged to find stable-growth companies that generate above-average cash flow in these areas. Your portfolio has generated positive excess returns versus the benchmark over the past 1-, 5-, and 10-year periods.

MARKET ENVIRONMENT

Market Performance

Periods Ended 6/30/16	Total Return	
(In U.S. Dollar Terms)	6 Months	12 Months
India	1.13%	-6.54%
Switzerland	-2.77	-7.67
France	-3.33	-7.90
Japan	-5.41	-8.64
Hong Kong	0.38	-10.78
Germany	-7.28	-11.01
United Kingdom	-3.02	-12.09
China	-4.53	-23.20

Source: RIMES Online, using MSCI indexes.

International equity markets endured a steep sell-off in the first six weeks of 2016, and some markets dipped into correction territory (a pullback of 10% or more) in mid-February. Investors worried about a possible global recession, in part due to slowing growth in China. Those concerns were exacerbated by the struggling energy and commodity markets and weak growth in Europe and Japan. However, as the period progressed, economic data in the U.S., China, and Europe improved, the likelihood of a global recession dissipated, and most markets staged a strong recovery. As the reporting period ended, global markets retreated following the UK vote to leave the European Union. While global markets broadly recovered some of the ground lost from the so-called Brexit vote, some sectors in European markets, such as financials, suffered sustained losses.

Emerging markets equities, which represented about 22% of the portfolio at the end of the period, held up better than those in developed markets over the past six months (and especially late in the period), helped by a rebound in oil and commodity prices, U.S. dollar weakness, and subsiding worries about growth in China. The MSCI Emerging Markets Index gained 6.6% during the first half of 2016.

Portfolio Review

Stock selection in the information technology sector generated a strong contribution to absolute and relative performance. Over the reporting period, we modestly added to our overweight allocation as we found solid, attractively valued growth companies that we felt were overly punished in the early-2016 sell-off. **Taiwan Semiconductor Manufacturing** produced strong gains. The stock rallied after the company announced that it would hike its dividend and also on good earnings and higher revenue guidance. **Tencent Holdings** (China) was another top first-half contributor. The company, a leader in online gaming and social networking services in China, has been a solid contributor for several years. We continue to see good opportunities for Tencent to improve monetization across its social media portfolio. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

The portfolio also benefited from our recently established stakes in **Mobileye** (Israel) and IT heavyweight **Samsung Electronics** (South Korea). Mobileye is an automotive supplier of active safety semiautonomous driving control capabilities. We took advantage of the sell-off early in the year to buy the stock near its low in January, and its shares rallied. While the industry is rapidly evolving, we believe Mobileye is well positioned to capture the growth resulting from the shift toward autonomous driving.

Sector Diversification

	Percent of Net Assets 12/31/15	Percent of Net Assets 6/30/16
Financials	21.1%	19.2%
Industrials and Business Services	15.0	14.5
Information Technology	13.0	14.4
Health Care	11.4	13.6
Consumer Discretionary	13.5	12.0
Consumer Staples	9.2	10.1
Telecommunication Services	5.0	4.9
Materials	3.8	4.5
Energy	2.6	3.0
Utilities	1.4	1.6
Other and Reserves	4.0	2.2
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

As with the energy and materials sectors, we have long maintained an underweight allocation to the consumer staples sector because we feel that we can find better risk/reward in other areas of the market given the modest growth rates in many consumer staples companies. Although our underweight hurt relative performance as the group rallied, our holdings performed well in aggregate. **Japan Tobacco** and **Philip Morris International** (U.S.) recorded good gains as did food and staples retailer **FamilyMart** (Japan), which we eliminated because our conviction in the company's longer-term prospects waned. FamilyMart is embarking on a complex merger with a struggling competitor in Japan. We believe that this diversification will lead the company away from its focus on convenience stores and into the competitive general merchandise business. While the merger could ultimately succeed, we felt the risk/reward metrics on this long-held investment had changed, especially in the context of the strong share price performance.

We swapped the proceeds from the sale of FamilyMart into **Seven & i Holdings**, another Japanese convenience store chain operator that has posted strong same-store sales and is taking market share. We built our position in Seven & i near its 52-week low. If Japan's inflation rate rises, the company should benefit from expanding topline growth. We think that improvements in corporate governance and cost efficiencies can drive rising returns over time.

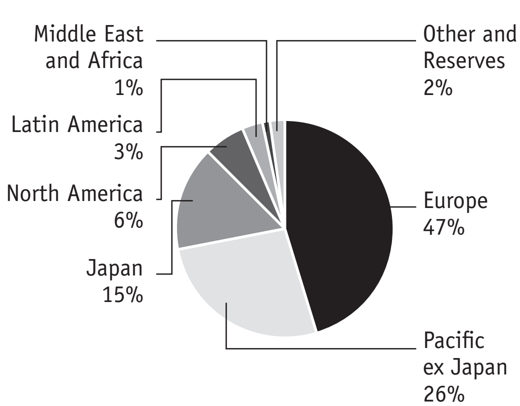
Although financials represents the largest allocation in the portfolio and the benchmark, the sector has been hurt by the low interest rate environment, which crimps net interest margins. Additionally, regulatory concerns cast a shadow over investment banking profits. Stock selection in the banking, capital markets, and insurance industries hurt absolute and relative performance. Our underweight allocation to the sector is largely driven by minimal exposure to Japanese, Canadian, and Australian financials—where we have struggled to find favorable risk/reward opportunities—but it contributed to our comparison with the benchmark.

Although we had a few solid gainers in the banking segment, including emerging markets holdings **Itau Unibanco** (Brazil), **Axis Bank** (India), and **Turkiye Garanti Bankasi** (Turkey), the punishing losses we endured in **Royal Bank of Scotland**, **Lloyds Banking Group** (UK), and **Credit Suisse** (Switzerland), among others, negated those gains. The deterioration in the sector afforded us the opportunity to buy several high-quality companies, including Netherlands-based **ING Groep**, which is supported by its healthy capital position and boasts one of the highest yields among all European banks. This fundamentally sound bank reported fiscal 2015 results in February that showed improved asset quality, which has bolstered the bank's capital position. We believe that ING has one of the stronger outlooks for sustainable growth among European banks, even in a low-rate environment, via its low-cost ING Direct business in several large markets, such as Germany. However, the stock underperformed in the latest downturn for financials.

We believe that the health care sector offers solid relative value, and we made several additions to our overweight position. Our recent purchases include **LivaNova** (UK), which was recently created through the merger of U.S.-based Cyberonics and Italy-based Sorin, and **Shire** (UK) shortly after it announced a deal to acquire Baxalta in January. We believe LivaNova offers attractive growth driven by the company's top position in devices for epilepsy and synergies resulting from the merger. Similarly, Shire could benefit from its merger and several exciting pipeline opportunities and should post robust earnings and revenue growth after the Baxalta acquisition is completed. The shares have been pressured, in part, by technical factors related to the acquisition. We believe the market will once again recognize the company's fundamental value.

However, we lost confidence in South Africa-based **Aspen Pharmacare Holdings**, which declined for the period. We eliminated the holding as a large number of globally diverse deals undertaken by the company added financial leverage and complexity to the business, and we felt that our original thesis in owning the shares had changed for the worse. **Valeant Pharmaceuticals International** (Canada) tumbled after management announced a delay in reporting fourth-quarter earnings and scrapped its previous financial guidance. The stock continued to slide after management released weaker-than-expected fourth-quarter results and lowered its revenue and earnings targets for 2016.

Geographic Diversification



Based on net assets as of 6/30/16.

We are finding solid growth companies in the industrials and business services sector. Equipment suppliers **Mitsubishi Electric** (Japan) and **Schneider Electric** (France) performed well, as did **Brambles** (Australia), a logistics company that specializes in pallets, crates, and containers. However, we endured large losses in UK business process outsourcing company **Capita**. Its stock fell after the Brexit vote, over fears of a slower UK macroeconomic environment and paralysis in decision-making at both the government and corporate end markets. British low-cost airline operator **easyJet** declined sharply due to lower bookings after terrorist attacks in France and Egypt, as well as on concerns that Brexit would cause difficulties in cross-border travel between Continental Europe and the UK. Investors soured on the stock because of the uncertain summer air travel outlook and concerns about the company's ability to cut expenses given potentially lower passenger bookings. We believe that the headwinds for Capita and easyJet are temporary and that their management teams are pursuing sound strategies that will become evident with time.

Outlook

We are confident that global economic growth will remain modestly positive and that stock prices are currently pricing in less growth than we envision. Within this volatile environment, we want to own high-quality growth companies that we feel are "mispriced" by the market. Given the swings of the past six months, this approach has allowed us to add to both cyclical sectors, such as financials, and defensive sectors, such as health care, as the market's view of global growth oscillated between concern and complacency. We have used the underperformance of the health care sector to add to positions in some of our favorite long-term holdings.

European economic growth forecasts remain tepid, which could crimp corporate earnings. We remain focused on companies in the region that can generate steady revenue, earnings, and cash flow growth. Often these opportunities present themselves in companies where the management teams have a strong history of capital allocation to drive growth through acquisitions or share repurchases, which helps in periods of slower economic growth. In our view, the macroeconomic environment in Japan is similarly challenging, and the lack of growth and ineffectiveness of structural reform are worrisome. Japan appears to be preparing significant new stimulus measures post the recent elections, and we will be watching closely to see if this stimulus will be coordinated with improved progress on reforms or whether it is more of the same. Although the top-down environment in Japan has been disappointing, we continue to find select Japanese companies with above-average growth prospects trading at attractive valuations.

Emerging markets remain a disparate asset class in terms of economic performance, as some have suffered from the commodity downturn while others have benefited. However, the sharp bounceback in several emerging markets, especially Brazil, has reduced the attractive opportunity set we found a year ago. Many of our emerging markets holdings generated solid growth and have posted among the highest returns on capital in the entire portfolio. Despite the difficult market environment, we still believe that there are good long-term opportunities in emerging markets.

As always, we will continue to work diligently on your behalf. Thank you for your support and confidence in T. Rowe Price.

Respectfully submitted,

Richard N. Clattenburg
Chairman of the Investment Advisory Committee

July 11, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing its investment program.

Risks of International Investing

Portfolios that invest overseas generally carry more risk than those that invest strictly in U.S. assets. Portfolios investing in a single country or in a limited geographic region tend to be riskier than more diversified portfolios. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Lipper averages: The averages of all portfolios in a particular category as tracked by Lipper Inc.

MSCI All Country World Index ex USA: An index that measures equity market performance of developed and emerging countries, excluding the U.S.

MSCI Emerging Markets Index: A capitalization-weighted index of emerging stocks that only includes securities that may be traded by foreign investors.

Note: MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Portfolio Highlights

Twenty-Five Largest Holdings

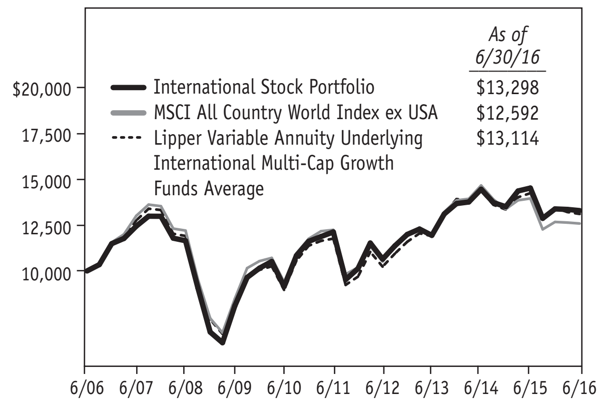
Company	Country	Percent of Net Assets 6/30/16
Priceline	United States	2.4%
AIA Group	Hong Kong	2.0
Astellas Pharma	Japan	1.7
Taiwan Semiconductor Manufacturing	Taiwan	1.7
Bayer	Germany	1.6
Nippon Telegraph & Telephone	Japan	1.6
Roche Holding	Switzerland	1.6
CK Hutchison Holdings	Hong Kong	1.5
Novartis	Switzerland	1.5
Japan Tobacco	Japan	1.5
Tencent Holdings	China	1.5
Vodafone	United Kingdom	1.5
Nestle	Switzerland	1.4
Capita	United Kingdom	1.4
Shire	United Kingdom	1.3
Liberty Global	United Kingdom	1.2
Housing Development Finance	India	1.2
Airbus	France	1.2
Svenska Cellulosa	Sweden	1.2
Fresenius	Germany	1.2
Mitsubishi Electric	Japan	1.2
Tokio Marine Holdings	Japan	1.2
LG Household & Health Care	South Korea	1.1
Amadeus IT Holding	Spain	1.1
ASML Holding	Netherlands	1.1
Total		35.9%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

International Stock Portfolio



Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
International Stock Portfolio	-8.47%	1.86%	2.89%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. 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. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

International Stock Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Actual	$1,000.00	$993.20	$5.20
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.64	5.27

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period (1.05%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period.

Financial Highlights

T. Rowe Price International Stock Portfolio
(Unaudited)

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 14.67	$ 15.26	$ 15.72	$ 13.90	$ 11.88	$ 13.88
Investment activities						
Net investment income[1]	0.14	0.14	0.15	0.17	0.15	0.20
Net realized and unrealized gain / loss	(0.24)	(0.28)	(0.35)	1.78	2.04	(1.99)
Total from investment activities	(0.10)	(0.14)	(0.20)	1.95	2.19	(1.79)
Distributions						
Net investment income	–	(0.15)	(0.17)	(0.13)	(0.17)	(0.21)
Net realized gain	–	(0.30)	(0.09)	–	–	–
Total distributions	–	(0.45)	(0.26)	(0.13)	(0.17)	(0.21)
NET ASSET VALUE						
End of period	**$ 14.57**	**$ 14.67**	**$ 15.26**	**$ 15.72**	**$ 13.90**	**$ 11.88**
Ratios/Supplemental Data						
Total return[2]	**(0.68)%**	**(0.90)%**	**(1.24)%**	**14.05%**	**18.44%**	**(12.83)%**
Ratio of total expenses to average net assets	1.05%[3]	1.05%	1.05%	1.05%	1.05%	1.05%
Ratio of net investment income to average net assets	2.04%[3]	0.88%	0.94%	1.13%	1.16%	1.51%
Portfolio turnover rate	19.6%	37.3%	45.3%	53.1%	41.3%	49.6%
Net assets, end of period (in thousands)	$ 308,419	$ 305,031	$ 329,646	$ 355,918	$ 300,353	$ 257,439

(1) Per share amounts calculated using average shares outstanding method.
(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(3) Annualized

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

Portfolio of Investments‡

T. Rowe Price International Stock Portfolio
June 30, 2016 (Unaudited)

(Cost and value in $000s)

	Shares	$ Value
AUSTRALIA 3.6%		
Common Stocks 3.6%		
Amcor	275,389	3,080
Brambles	222,103	2,061
CSL	16,566	1,393
James Hardie Industries, GDR	76,278	1,168
South32 (1)	1,299,487	1,519
Woodside Petroleum	92,020	1,865
Total Australia (Cost $8,633)		**11,086**
BELGIUM 0.5%		
Common Stocks 0.5%		
Anheuser-Busch InBev	11,138	1,464
Total Belgium (Cost $123)		**1,464**
BRAZIL 1.4%		
Common Stocks 0.5%		
Tim Participacoes ADR (USD)	158,300	1,670
		1,670
Preferred Stocks 0.9%		
Itau Unibanco Holding	284,515	2,680
		2,680
Convertible Preferred Stocks 0.0%		
Peixe Urbano, Series A Acquisition Date: 6/26/12 - 12/26/14 Cost: $143 (USD) (1)(2)(3)	4,542	—
Peixe Urbano, Series C Acquisition Date: 12/5/11 - 12/26/14 Cost: $643 (USD) (1)(2)(3)	20,408	9
		9
Total Brazil (Cost $5,408)		**4,359**
CANADA 2.4%		
Common Stocks 2.4%		
Alimentation Couche-Tard	19,800	850
Canadian Natural Resources	100,000	3,085
Canadian Pacific Railway	24,200	3,116
Valeant Pharmaceuticals International (1)	11,698	236
Total Canada (Cost $7,758)		**7,287**
CHINA 5.5%		
Common Stocks 4.9%		
Alibaba Group Holding ADR (USD) (1)(4)	21,000	1,670
Baidu, ADR (USD) (1)	13,300	2,197
China Mengniu Dairy (HKD)	1,182,000	2,071
China Overseas Land & Investment (HKD)	952,000	3,038
Ctrip.com International ADR (USD) (1)	37,800	1,557
Tencent Holdings (HKD)	199,800	4,557
		15,090
Common Stocks - China A shares 0.5%		
Kweichow Moutai (CNH)	35,451	1,560
		1,560

	Shares	$ Value
(Cost and value in $000s)		
Convertible Preferred Stocks 0.1%		
Xiaoju Kuaizhi, Class A-17 Acquisition Date: 10/19/15 Cost $343 (USD) (1)(2)(3)	12,518	479
		479
Total China (Cost $10,995)		**17,129**
DENMARK 0.4%		
Common Stocks 0.4%		
GN Store Nord	74,364	1,344
Total Denmark (Cost $1,595)		**1,344**
FINLAND 1.0%		
Common Stocks 1.0%		
Sampo, A Shares	77,359	3,161
Total Finland (Cost $3,404)		**3,161**
FRANCE 4.3%		
Common Stocks 4.3%		
Air Liquide	15,928	1,669
Airbus	63,878	3,709
BNP Paribas	52,055	2,340
Dassault Aviation	1,413	1,419
Iliad	5,335	1,085
Schneider Electric	54,028	3,197
Total France (Cost $15,081)		**13,419**
GERMANY 5.4%		
Common Stocks 5.4%		
Bayer	50,569	5,088
Brenntag	35,437	1,712
Fresenius	49,540	3,650
Linde	19,540	2,720
Merck	9,307	948
Scout24 Holding (1)	23,230	862

	Shares	$ Value
(Cost and value in $000s)		
Wirecard (4)	35,535	1,562
Total Germany (Cost $12,838)		**16,542**
HONG KONG 5.2%		
Common Stocks 5.2%		
AIA Group	1,048,200	6,303
Cheung Kong Property Holdings	97,884	617
CK Hutchison Holdings	434,384	4,780
Jardine Matheson Holdings (USD)	47,200	2,764
Samsonite International	523,800	1,449
Total Hong Kong (Cost $13,505)		**15,913**
INDIA 5.3%		
Common Stocks 5.3%		
Axis Bank	381,370	3,034
Housing Development Finance	201,288	3,753
Infosys	90,765	1,580
NTPC Limited	1,232,031	2,848
Power Grid Corp of India	858,764	2,080
Tata Consultancy	79,452	3,001
Total India (Cost $11,727)		**16,296**
INDONESIA 1.5%		
Common Stocks 1.5%		
Bank Central Asia	2,535,300	2,565
Sarana Menara Nusantara (1)	6,393,000	2,043
Total Indonesia (Cost $3,189)		**4,608**

(Cost and value in $000s)

	Shares	$ Value
ISRAEL 0.4%		
Common Stocks 0.4%		
Mobileye (USD) (1)(4)	25,500	1,177
Total Israel (Cost $678)		**1,177**
ITALY 0.7%		
Common Stocks 0.7%		
Banca Mediolanum	296,210	2,029
Total Italy (Cost $2,322)		**2,029**
JAPAN 15.2%		
Common Stocks 15.2%		
Air Water	88,000	1,288
Astellas Pharma	342,500	5,360
Calbee	7,800	324
Chugai Pharmaceutical	49,900	1,773
CyberAgent	30,500	1,831
FANUC	14,500	2,347
Inpex	156,700	1,222
Japan Tobacco	114,900	4,603
Kansai Paint (4)	32,000	645
Koito Manufacturing	39,900	1,826
Mitsubishi Electric	303,000	3,593
Nippon Telegraph & Telephone	102,600	4,816
Olympus	59,300	2,206
Seven & i Holdings	64,500	2,693
Softbank	19,500	1,103
Sumitomo	316,000	3,163
Suzuki Motor	55,900	1,509
Tokio Marine Holdings	108,600	3,592
Yahoo! Japan (4)	694,800	3,060
Total Japan (Cost $39,720)		**46,954**

(Cost and value in $000s)

	Shares	$ Value
MALAYSIA 0.5%		
Common Stocks 0.5%		
Astro Malaysia Holdings	2,239,100	1,627
Total Malaysia (Cost $2,013)		**1,627**
MEXICO 1.1%		
Common Stocks 1.1%		
Grupo Financiero Santander Mexico ADR (USD)	365,200	3,320
Total Mexico (Cost $3,464)		**3,320**
NETHERLANDS 3.5%		
Common Stocks 3.5%		
Altice, Class A (1)(4)	142,255	2,139
ASML Holding	33,633	3,334
ING Groep, GDS	298,856	3,106
NXP Semiconductors (USD) (1)	28,700	2,249
Total Netherlands (Cost $7,422)		**10,828**
RUSSIA 0.2%		
Common Stocks 0.2%		
Magnit, GDR (USD)	14,555	484
Total Russia (Cost $656)		**484**
SOUTH KOREA 2.5%		
Common Stocks 2.5%		
LG Household & Health Care	3,599	3,491
NAVER	4,054	2,520
Samsung Electronics	1,429	1,779
Total South Korea (Cost $5,351)		**7,790**

(Cost and value in $000s)

	Shares	$ Value
SPAIN 2.7%		
Common Stocks 2.7%		
Amadeus IT Holding A Shares	77,064	3,376
Banco Bilbao Vizcaya Argentaria (4)	359,863	2,062
Grifols, ADR (USD)	167,400	2,791
Total Spain (Cost $8,413)		**8,229**
SWEDEN 3.8%		
Common Stocks 3.8%		
Assa Abloy, B Shares	94,272	1,932
Hexagon, B Shares	89,918	3,273
Svenska Cellulosa, B Shares	114,539	3,652
Svenska Handelsbanken A Shares	227,388	2,751
Total Sweden (Cost $9,454)		**11,608**
SWITZERLAND 6.7%		
Common Stocks 6.7%		
Credit Suisse	125,719	1,340
GAM Holding	100,846	1,078
Julius Baer	68,729	2,762
Nestle	56,248	4,339
Novartis, Regulation D Shares	56,889	4,680
Roche Holding	18,118	4,784
Syngenta	4,643	1,784
Total Switzerland (Cost $21,089)		**20,767**
TAIWAN 1.6%		
Common Stocks 1.6%		
Taiwan Semiconductor Manufacturing	1,009,000	5,102
Total Taiwan (Cost $3,086)		**5,102**

(Cost and value in $000s)

	Shares	$ Value
THAILAND 0.4%		
Common Stocks 0.4%		
CP ALL	953,300	1,363
Total Thailand (Cost $1,042)		**1,363**
TURKEY 0.6%		
Common Stocks 0.6%		
Turkiye Garanti Bankasi	669,238	1,786
Total Turkey (Cost $2,231)		**1,786**
UNITED ARAB EMIRATES 0.8%		
Common Stocks 0.8%		
DP World (USD)	155,141	2,576
Total United Arab Emirates (Cost $930)		**2,576**
UNITED KINGDOM 16.9%		
Common Stocks 16.9%		
ARM Holdings	203,243	3,078
Aviva	553,715	2,976
British Sky	278,835	3,165
Burberry	125,385	1,960
Capita	330,681	4,247
Compass Group	101,972	1,944
easyJet	73,671	1,070
Experian	161,310	3,064
Liberty Global, Class A (USD)(1)	31,600	918
Liberty Global, Series C (USD) (1) (4)	101,400	2,905
Liberty Global Plc LiLAC Class A (USD) (1)	3,942	127
Liberty Global Plc LiLAC Class C (USD) (1)	47,659	1,548
LivaNova (USD) (1)	31,900	1,602
Lloyds Banking Group	2,601,027	1,913
Prudential	24,750	422
Royal Bank of Scotland (1)(4)	740,646	1,744
Royal Dutch Shell, B Shares	113,767	3,129

(Cost and value in $000s)

	Shares	$ Value
SABMiller	36,776	2,144
Shire	66,391	4,088
Smith & Nephew	112,663	1,911
Standard Chartered	85,960	654
Vodafone	1,470,237	4,476
WPP	147,893	3,071
Total United Kingdom (Cost $48,451)		**52,156**
UNITED STATES 3.6%		
Common Stocks 3.6%		
Las Vegas Sands	39,800	1,731
Philip Morris International	20,600	2,095
Priceline (1)	5,840	7,291
Total United States (Cost $7,903)		**11,117**
SHORT-TERM INVESTMENTS 1.8%		
Money Market Funds 1.8%		
T. Rowe Price Reserve Investment Fund, 0.32% (5)(6)	5,447,447	5,447
Total Short-Term Investments (Cost $5,447)		**5,447**
SECURITIES LENDING COLLATERAL 2.9%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 2.9%		
Short-Term Funds 2.9%		
T. Rowe Price Short-Term Reserve Fund, 0.33% (5)(6)	894,309	8,943
Total Investments through Securities Lending Program with JPMorgan Chase Bank		**8,943**
Total Securities Lending Collateral (Cost $8,943)		**8,943**

(Cost and value in $000s)

	$ Value
Total Investments in Securities	
102.4% of Net Assets (Cost $272,871)	**$ 315,911**

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; Shares are denominated in the currency of the country presented unless otherwise noted.
(1) Non-income producing
(2) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to $488 and represents 0.2% of net assets.
(3) Level 3 in fair value hierarchy. See Note 2.
(4) All or a portion of this security is on loan at June 30, 2016 -- total value of such securities at period-end amounts to $8,727. See Note 4.
(5) Seven-day yield
(6) Affiliated Company
ADR American Depository Receipts
CNH Offshore China Renminbi
GBP British Pound
GDR Global Depository Receipts
GDS Global Depository Shares
HKD Hong Kong Dollar
JPY Japanese Yen
USD U.S. Dollar

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Barclays Bank	9/7/16	USD	2,357	GBP	1,618	$ 202
Citibank	9/7/16	USD	1,578	GBP	1,073	148
HSBC Securities	7/19/16	USD	3,177	JPY	336,038	(78)
Net unrealized gain (loss) on open forward currency exchange contracts						$ 272

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2016. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/16	Value 12/31/15
T. Rowe Price Reserve Investment Fund	¤	¤	$ 8	$ 5,447	$ 11,845
T. Rowe Price Short-Term Reserve Fund	¤	¤	—^	8,943	1,597
Totals			$ 8	$ 14,390	$ 13,442

¤ Purchase and sale information not shown for cash management funds.
^ Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 4.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 14,390
Dividend income	8
Interest income	-
Investment income	$ 8
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual funds	$ -

Statement of Assets and Liabilities

T. Rowe Price International Stock Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $272,871)	$	315,911
Receivable for investment securities sold		1,858
Dividends receivable		586
Foreign currency (cost $384)		384
Unrealized gain on forward currency exchange contracts		350
Receivable for shares sold		166
Cash		68
Other assets		1,328
Total assets		320,651
Liabilities		
Obligation to return securities lending collateral		8,943
Payable for investment securities purchased		1,481
Payable for shares redeemed		475
Investment management and administrative fees payable		345
Unrealized loss on forward currency exchange contracts		78
Other liabilities		910
Total liabilities		12,232
NET ASSETS	**$**	**308,419**
Net Assets Consist of:		
Undistributed net investment income	$	3,046
Accumulated undistributed net realized loss		(2,713)
Net unrealized gain		43,259
Paid-in capital applicable to 21,169,124 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		264,827
NET ASSETS	**$**	**308,419**
NET ASSET VALUE PER SHARE	**$**	**14.57**

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

Statement of Operations

T. Rowe Price International Stock Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of $376)	$ 4,493
Securities lending	98
Total income	4,591
Investment management and administrative expense	1,563
Net investment income	3,028
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	687
Written options	42
Foreign currency transactions	(76)
Net realized gain	653
Change in net unrealized gain / loss	
Securities	(5,901)
Other assets and liabilities denominated in foreign currencies	266
Change in net unrealized gain / loss	(5,635)
Net realized and unrealized gain / loss	(4,982)
DECREASE IN NET ASSETS FROM OPERATIONS	**$ (1,954)**

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

Statement of Changes in Net Assets

T. Rowe Price International Stock Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 3,028	$ 2,939
Net realized gain	653	7,705
Change in net unrealized gain / loss	(5,635)	(13,111)
Decrease in net assets from operations	(1,954)	(2,467)
Distributions to shareholders		
Net investment income	–	(3,033)
Net realized gain	–	(6,068)
Decrease in net assets from distributions	–	(9,101)
Capital share transactions*		
Shares sold	23,112	28,717
Distributions reinvested	–	9,101
Shares redeemed	(17,770)	(50,865)
Increase (decrease) in net assets from capital share transactions	5,342	(13,047)
Net Assets		
Increase (decrease) during period	3,388	(24,615)
Beginning of period	305,031	329,646
End of period	**$ 308,419**	**$ 305,031**
Undistributed net investment income	3,046	18
*Share information		
Shares sold	1,619	1,825
Distributions reinvested	–	624
Shares redeemed	(1,236)	(3,258)
Increase (decrease) in shares outstanding	383	(809)

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

T. Rowe Price International Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The International Stock Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. The fund incepted on March 31, 1994. The fund seeks long-term growth of capital through investments primarily in the common stocks of established, non-U.S. companies. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions, if any, are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Income distributions are declared and paid annually. Distributions to shareholders are recorded on the ex-dividend date. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

NOTE 2 - VALUATION

The fund's financial instruments are valued and its net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Forward currency exchange contracts are valued using the prevailing forward exchange rate and are categorized in Level 2 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2016:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ –	$ 193,206	$ –	$ 193,206
Brazil	1,670	2,680	9	4,359
China	5,424	11,226	479	17,129
Israel	1,177	–	–	1,177
Mexico	3,320	–	–	3,320
Netherlands	2,249	8,579	–	10,828
Spain	2,791	5,438	–	8,229
United Kingdom	7,100	45,056	–	52,156
United States	11,117	–	–	11,117
Short-Term Investments	5,447	–	–	5,447
Securities Lending Collateral	8,943	–	–	8,943
Total Securities	49,238	266,185	488	315,911
Forward Currency Exchange Contracts	–	350	–	350
Total	$ 49,238	$ 266,535	$ 488	$ 316,261
Liabilities				
Forward Currency Exchange Contracts	$ –	$ 78	$ –	$ 78

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2016.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2016. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at June 30, 2016, totaled $96,000 for the six months ended June 30, 2016.

($000s)	Beginning Balance 1/1/16	Gain (Loss) During Period	Ending Balance 6/30/16
Investments in Securities			
Convertible Preferred Stocks	$ 392	$ 96	$ 488

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2016, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. As of June 30, 2016, the fund held foreign exchange derivatives with a fair value of $350,000, included in unrealized gain on forward currency exchange contracts, and $78,000, included in unrealized loss on forward currency exchange contracts, on the accompanying Statement of Assets and Liabilities.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2016, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations		
	Written Options	Foreign Currency Transactions	Total
Realized Gain (Loss)			
Equity derivatives	$ 42	$ –	$ 42
Foreign exchange derivatives	–	(102)	(102)
Total	$ 42	$ (102)	$ 60
Change in Unrealized Gain / Loss			
Foreign exchange derivatives	$ –	$ 272	$ 272

Counterparty Risk and Collateral The fund invests in derivatives, such as bilateral swaps, forward currency exchange contracts, or OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives), and thereby expose the fund to counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also provide collateral agreements. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs govern the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow net settlement in the event of contract termination and permit termination by either party prior to maturity upon the occurrence of certain stated events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate while a decline in the fund's net assets of more than a certain percentage would allow the counterparty to terminate. Upon termination, all bilateral derivatives with that counterparty would be liquidated and a net amount settled. ISDAs typically include collateral agreements whereas FX letters do not. Collateral requirements are determined based on the net aggregate unrealized gain or loss on all bilateral derivatives with each counterparty, subject to minimum transfer amounts that typically range from $100,000 to $250,000. Any additional collateral required due to changes in security values is transferred the next business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash and currencies posted by the fund are reflected as cash deposits in the accompanying financial statements and generally are restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account by the fund's custodian. As of June 30, 2016, no collateral was pledged by either the fund or counterparties for bilateral derivatives.

Forward Currency Exchange Contracts The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated securities from adverse currency movements relative to the U.S. dollar. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Appreciated forwards are reflected as assets and depreciated forwards are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur, thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment. During the six months ended June 30, 2016, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally between 0% and 3% of net assets.

Options The fund is subject to equity price risk in the normal course of pursuing its investment objectives and uses options to help manage such risk. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, purchased options are included in Investments in Securities, and written options are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, call and put options give the holder the right, but not the obligation, to purchase or sell, respectively, a security at a specified exercise price. Risks related to the use of options include possible illiquidity of the options markets; trading restrictions imposed by an exchange or counterparty; movements in the underlying asset values; and, for written options, potential losses in excess of the fund's initial investment. During the six months ended June 30, 2016, the volume of the fund's activity in options, based on underlying notional amounts, was generally less than 1% of net assets. Transactions in written options and related premiums received during the six months ended June 30, 2016, were as follows:

($000s)	Number of Contracts		Premiums
Outstanding at beginning of period	–	$	–
Written	543		46
Exercised	(138)		(4)
Expired	(405)		(42)
Outstanding at end of period	–	$	–

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of, or denominated in or linked to the currencies of emerging market countries; at period-end, approximately 22% of the fund's net assets were invested in emerging markets. Emerging markets generally have economic structures that are less diverse and mature, and political systems that are less stable, than developed countries. These markets may be subject to greater political, economic, and social uncertainty and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars. Such securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Securities Lending The fund may lend its securities to approved brokers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested by the lending agent(s) in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At June 30, 2016, the value of loaned securities was $8,727,000; the value of cash collateral and related investments was $8,943,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $71,231,000 and $57,469,000, respectively, for the six months ended June 30, 2016.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2016, the cost of investments for federal income tax purposes was $276,776,000. Net unrealized gain aggregated $39,355,000 at period-end, of which $61,855,000 related to appreciated investments and $22,500,000 related to depreciated investments.

NOTE 6 - FOREIGN TAXES

The fund is subject to foreign income taxes imposed by certain countries in which it invests. Additionally, certain foreign currency transactions are subject to tax, and capital gains realized upon disposition of securities issued in or by certain foreign countries are subject to capital gains tax imposed by those countries. All taxes are computed in accordance with the applicable foreign tax law, and, to the extent permitted, capital losses are used to offset capital gains. Taxes attributable to income are accrued by the fund as a reduction of income. Taxes incurred on the purchase of foreign currencies are recorded as realized loss on foreign currency transactions. Current and deferred tax expense attributable to capital gains is reflected as a component of realized or change in unrealized gain/loss on securities in the accompanying financial statements. At June 30, 2016, the fund had no deferred tax liability attributable to foreign securities and $1,812,000 of foreign capital loss carryforwards, including $482,000 that expire in 2017, $475,000 that expire in 2018, $187,000 that expire in 2019, $404,000 that expire in 2020, $38,000 that expire in 2021, $17,000 that expire in 2022, $187,000 that expire in 2023, and $22,000 that expire in 2024.

NOTE 7 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). Price Associates has entered into a subadvisory agreement(s) with one or more of its wholly owned subsidiaries, to provide investment advisory services to the fund. The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 1.05% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

The fund may invest in the T. Rowe Price Reserve Investment Fund, the T. Rowe Price Government Reserve Investment Fund, or the T. Rowe Price Short-Term Reserve Fund (collectively, the Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve Investment Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. The Price Reserve Investment Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement and Subadvisory Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor), as well as the continuation of the investment subadvisory agreement (Subadvisory Contract) that the Advisor has entered into with T. Rowe Price International Ltd (Subadvisor) on behalf of the fund. In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract and Subadvisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor and Subadvisor
The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor and Subadvisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's and Subadvisor's senior management teams and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor and Subadvisor.

Investment Performance of the Fund
The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-, 5-, and 10-year periods, and compared these returns with a wide variety of previously agreed-upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale
The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates, including the Subadvisor) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor and Subadvisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. Under the Subadvisory Contract, the Advisor may pay the Subadvisor up to 60% of the advisory fee that the Advisor receives from the fund. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Approval of Investment Management Agreement and Subadvisory Agreement (continued)

Fees
The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses, and the total expense ratio was equal to the all-inclusive management fee rate. The information provided to the Board indicated that the fund's management fee rate was above the median for comparable funds and the fund's total expense ratio was at or below the median for comparable funds.

The Board also reviewed the fee schedules for institutional accounts and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the mutual fund business. The Board considered information showing that the Advisor's mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various relevant factors, such as the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for an institutional account and that the Advisor generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract and Subadvisory Contract
As noted, the Board approved the continuation of the Advisory Contract and Subadvisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract and Subadvisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

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T.RowePrice®
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100 East Pratt Street
Baltimore, MD 21202

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June 30, 2016

Semiannual Report

Mid-Cap Growth Portfolio

T. Rowe Price®
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This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Mid-Cap Growth Portfolio

Highlights

- Mid-cap growth stocks recorded modest gains in early 2016, despite shrinking corporate profits and bouts of volatility.
- The Mid-Cap Growth Portfolio outperformed its peers but lagged its benchmark.
- A consensus appears to be emerging that extremely low interest rates are having minimal first-order effects on the global economy but are distorting financial markets substantially.
- The search for stability and yield has pushed up valuations for many of the companies we typically favor, but we are finding some opportunities in the "recession bin."

Dear Investor

The first half of 2016 was hardly a stellar time for the global economy or corporate profits, but mid-cap growth stocks managed to move slightly higher after enduring some volatility. In past letters, we have referenced former Federal Reserve Chair William McChesney Martin's description of easy money being the "punch bowl" that keeps a party going on Wall Street. Perhaps it is time to change the metaphor, as the market's mood has hardly been celebratory—even as money has literally never been easier (as we explain below). Instead, it may make sense to think of the party as in the process of winding down, and the central bankers—far from being the chaperones who order the punch bowl removed, as Martin advised—imploring investors to belly up to the bar for one last drink. In our outlook, we reflect on how policymakers' efforts may have warded off the reckoning of a bear market but at the cost of fundamentally distorting the financial landscape.

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
Mid-Cap Growth Portfolio	1.52%
Mid-Cap Growth Portfolio–II	1.37
Russell Midcap Growth Index	2.15
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	-0.09

The Mid-Cap Growth Portfolio returned 1.52% in the six months ended June 30, 2016, modestly trailing its benchmark but outperforming its peer group; the Mid-Cap Growth Portfolio–II returned 1.37% over that same period. The portfolio remained favorably ranked relative to its competitors over all time periods. (Based on cumulative total return, Lipper ranked the Mid-Cap Growth Portfolio 9 of 91, 6 of 86, 5 of 85, and 3 of 71 funds in the variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended June 30, 2016, respectively. Lipper ranked the Mid-Cap Growth Portfolio–II 13 of 91, 13 of 86, 11 of 85, and 9 of 71 funds in the variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended June 30, 2016, respectively. *Past performance cannot guarantee future results.*)

Stocks began 2016 on a decisively negative note as concerns that had dogged the market in late 2015 intensified. Wall Street followed global markets sharply lower in the first weeks of the year in response to poor Chinese manufacturing data and rising tensions in the Middle East. A further decline in oil prices, which reached their lowest levels in 13 years in early February, also weighed on sentiment. U.S. economic data raised further concerns, and investors worried that the strong U.S. dollar and weakening export markets were taking a toll on the manufacturing sector—previously a bright spot in the weak recovery from the last recession.

Markets reached a turning point in mid-February and began a remarkable recovery, but not because of any notable turnaround in the global economy or in corporate profits. An oil price rebound helped fuel the rally, but this was precipitated in large part by rumors of a coordinated production cut that never materialized. While fears that the U.S. economy would imminently fall back into recession proved to be overblown, growth in the first quarter of the year was still notably weak. Gross domestic product expanded at an annualized rate of only 1.1%, its worst showing in a year. Payroll growth also slowed substantially in early 2016, although a reduced pace of gains might be expected with the unemployment rate below 5%.

The U.S. economy improved somewhat in the spring, with the manufacturing sector appearing to regain its footing and retail sales growing at a decent clip. Still, the economic expansion that began in 2009 and the stock rally that accompanied it started to feel old. Indeed, the current bull market is now the second longest in duration and fifth largest in magnitude dating back to 1932, according to Bank of America research. Certainly, corporate profits were showing the aches and pains of an aging economic cycle. Second-quarter earnings results are not definitive as of this writing, but it appears that earnings growth for the S&P 500 will now have declined for five straight quarters—the first time that has happened since the financial crisis.

Growth vs. Value

Periods Ended 6/30/16	6 Months	12 Months	3 Years	5 Years
Russell Midcap Growth Index	2.15%	-2.14%	35.00%	60.94%
Russell Midcap Value Index	8.87	3.25	36.75	73.91

Cumulative returns.

The spring rebound brought the Russell midcap indexes back near the highs they established in mid-2015, and valuations in many segments of the market reached well above historical averages. Britain's surprise vote to leave the European Union caused another brief bout of volatility at the end of June, but markets recovered quickly, helped in part by even lower expectations for future interest rate increases. Much of the market's momentum shifted toward value stocks and more stable growth shares, but performance varied widely among sectors: energy stocks in the Russell Midcap Growth Index rose over 29%, technology stocks were flat, and consumer discretionary and health care shares recorded losses. Later, we will discuss the implications of this shift for our portfolio. As we have in past letters, we will also discuss how the extraordinary monetary regime of the last few years has distorted markets and created challenges for long-term investors.

Portfolio Review

Even as the tech sector generally muddled along, our holdings in the segment provided an important boost to the portfolio in the first half of our fiscal year. Our IT services holdings were particularly strong, with longtime positions **Fiserv** and **Vantiv** among our leading contributors. Fiserv, which helps financial firms handle electronic transactions, continued its stellar long-term record of earnings gains. Vantiv, which handles credit card processing, benefited from optimism over the mandated use of microchip technology in card transactions. Electronic instruments firm **FEI**, which makes electron microscopes and other highly sophisticated equipment, rose after the announcement of its takeover by industry leader Thermo Fisher Scientific. While we avoided many of the major downdrafts in the sector, we did suffer from owning corporate social network **LinkedIn**, which fell after reporting dismal earnings and guidance. We believed that the company's future growth prospects were diminished and that, in the wake of the stock's retreat, LinkedIn's employee compensation structure, which was highly reliant on its own stock price, would complicate the company's ability to attract and retain talent; we therefore eliminated the stock. This proved to be a major mistake as Microsoft subsequently announced an agreement to acquire the company at a significant premium. (Please refer to the fund's portfolio of investments for a complete list of our holdings and the amount each represents in the portfolio.)

Sector Diversification

	Percent of Net Assets	
	12/31/15	6/30/16
Industrials and Business Services	18.9%	20.6%
Health Care	18.8	18.3
Information Technology	18.7	17.2
Consumer Discretionary	16.9	16.9
Financials	11.2	10.8
Materials	5.0	4.9
Consumer Staples	2.7	2.2
Energy	1.4	2.1
Telecommunication Services	1.4	1.5
Utilities	0.1	0.0
Other and Reserves	4.9	5.5
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Materials stocks are a small part of the portfolio but they provided the second-largest boost to our returns in the period. One of our standout performers was **Franco-Nevada**, an investment company that focuses primarily on gold royalties. Rising gold prices drove the stock higher, and we remain impressed with management's ability to find productive mining assets for its portfolio. **Martin Marietta Materials** produces aggregates, the primary ingredients in concrete and asphalt. Increased spending on highways and residential construction has boosted revenues and helped the stock, while high barriers to entry in the business have helped protect lucrative margins.

Energy stocks are an even smaller part of the portfolio. Because we are skeptical that oil prices have much further to rise, we have focused on natural gas companies, particularly those that are exploiting the low-cost Marcellus shale reserves in Appalachia. Marcellus operator **EQT** was our leading performer in this segment.

Our largest sector exposure is industrials and business services. Within the group, we own many solidly growing firms that often fly under the radar of many other growth investors. This has led us to a meaningful and longtime emphasis on commercial and professional services stocks that are less cyclical than traditional industrial firms. We added to our services weighting in 2014 and 2015 in anticipation of slowing growth, but we are now reluctantly trimming our holdings—although not because of renewed optimism about the economy, as we discuss below. In the first half of 2016, the portfolio particularly benefited from its large stake in **Equifax**, one of the leading credit bureaus in the U.S., which reported strong results from its growing information services business. Railroad **Kansas City Southern** and commercial waste services provider **Waste Connections** also performed well. Generally, our positions in manufacturers that rely on healthy export markets fared worse. **Textron**, which has a global business in aircraft and defense systems, performed poorly as investors worried about the slow recovery in its business jet market. We see healthy growth ahead in helicopters, all-terrain vehicles, and several of its other business segments, however. **Sensata Technologies Holding**, which makes sensors for the auto market, declined as investors worried about a downturn in auto demand.

Our consumer discretionary holdings weighed the most on our returns in the period. Cruise operators **Royal Caribbean Cruises** and **Norwegian Cruise Line Holdings** performed particularly poorly as investors fretted about falling global demand, especially for Mediterranean itineraries, and about their nascent operations in China. Worries over reduced travel also impacted **TripAdvisor**, and auto-related stocks **Borg-Warner** and **CarMax** suffered from the concerns that the auto market has peaked. A bright spot in the sector was retailer **Dollar General**, which benefited from some improvement in the prospects for low-end consumers and from a more inwardly-focused competitor, Family Dollar, which is in the midst of a merger with Dollar Tree. Other larger sectors in the portfolio recorded modest (health care) or even negative (financials) returns in the period.

Investment Strategy and Outlook

We were certainly pleased to record a positive return in the first half of the year, but we would rest easier if we thought that the market's gains stood on a more solid foundation. It has become increasingly clear that the data dependency that the Fed and other central banks assert is their modus operandi is really just code for how global financial markets are performing and that they are intent on driving asset prices higher. Indeed, many of Wall Street's largest daily gains in 2016 have come on the heels of central bank moves or even encouraging remarks from monetary officials. For example, the major indexes reversed an early slump and reached new 2016 highs on March 29 following Fed Chair Janet Yellen's speech to the Economic Club of New York in which she promised that the Fed would be cautious in raising rates. Dovish commentary from monetary officials overseas also boosted markets, as did expanded quantitative easing programs from both the European and Japanese central banks. The debate in financial markets is now centered on whether the next rate increase will come in 2016, 2017, or maybe even later.

Regardless of the timing of the next small increase, it is more notable that the world has now moved into financial territory not seen in centuries. Indeed, according to Bank of America's excellent summary of academic research on very long-term economic and market trends, global long-term interest rates are now the lowest they have been in 5,000 years. Ten-Year Treasury yields are their lowest in U.S. history. Silk Road traders, Flemish merchants, and Virginia plantation owners could not borrow as cheaply as General Electric or the Italian government can today, and if you want to lend money for several years to the German, Japanese, or even Spanish governments, you have to pay them—a situation that would have baffled our ancestors and, quite frankly, astonishes us.

At first glance, this extraordinary situation has left a remarkably small imprint on the global economy. Record-low interest rates have begotten neither rampant inflation nor solid economic growth, leaving both central bank supporters and detractors equally befuddled. A consensus seems to be emerging, however, that powerful deflationary forces are at work in the global economy that conventional (low rates) and even unconventional (quantitative easing) monetary policies are unable to reverse. Demographic changes are making much of the world look more like Japan, where an aging population that is saving rather than spending has resulted in nearly three "lost decades" of economic stagnation. The social spending needed to support aging populations and the high levels of debt before the financial crisis have compelled governments to cut back outlays, while corporations and individuals have been forced to service and pay down debt, suppressing spending. Finally, the impact of technological change and workplace automation is becoming increasingly clear and permeates almost every sector and region of the global economy. Many products are cheaper to make, but the robots making them are not taking home paychecks and stimulating the economy.

While the first-order effects of low rates have been surprisingly small, a consensus also seems to be emerging that the extreme monetary conditions are having much larger second-order effects. We have discussed some of these in past letters: Retirees and others depending on short-term income are being squeezed; pension funds are stretching to be able to meet obligations; and bubbles have emerged in luxury real estate, art, and other areas as the rich—the primary beneficiaries of low rates—have sought assets that promise some return on their money. In our letters over the last several years, we have also described how excess liquidity has fueled mini-bubbles in the stock market sectors such as biotechnology, online media, and software services. Cheap money also fueled the oil boom and therefore bears some responsibility for the bust.

Oil stocks have plummeted since late 2014, of course, and much of the air has also come out of the other market darlings—particularly biotech shares. We now seem to have entered a new phase in which investors, desperately searching for yield, are crowding into low-volatility stocks, especially those with substantial dividends, such as telecom services, utilities, and real estate investment trusts (REITs). Telecom shares in the S&P 500 returned nearly 25% in first half of the year, utilities over 23%, and REITs 11%. In the mid-cap growth arena, this phenomenon has manifested itself most acutely in the hunt for dividend-paying consumer staples stocks, which returned nearly 12% in the first half of the year, as measured by our Russell benchmark.

More generally, investors have recently turned to stable growers—our longtime favorite hunting ground. In the last several quarters, this has worked to our benefit, as the portfolio's substantial holdings in Fiserv, Vantiv, **Gartner**, **IDEXX Laboratories**, and a host of other solid and consistent growth companies have performed especially well as their valuations have swelled. Lower-volatility growth companies that are expanding earnings at a moderate but reliable pace have been this portfolio's foundation for many years. Yet they suddenly seem to be morphing into the market's momentum darlings—a very uncomfortable situation for us given our risk-aware approach to valuations. We have slowly and reluctantly begun to trim our position sizes in many of these holdings, even as the market continues to push them to new highs week after week.

Needless to say, this environment also makes replacing these positions more difficult. Shifts in market dynamics are typically uneven, however, and we see some opportunities in the current mania for the slow and steady. We have added to positions in several of the more cyclical sectors of the market, which have been pummeled, and which are close to being priced for recession. Among these more cyclical additions, we have tried to maintain a bias toward quality companies such as **Marriott**, **Harman International**, and Sensata, all three of which are dependent on leisure travel or auto sales. We may well have a recession soon, although the balance of the evidence suggests to us that one is unlikely. But if we do, we suspect that their current discounts may help these stocks hold up somewhat better than they have traditionally, while valuations in other areas perceived as more stable could fall back significantly. As a result, we have found ourselves shopping a bit in the "recession bin," looking for stocks where fairly negative economic scenarios have already been reflected in stock prices.

Economic indicators have been vacillating in a slow growth mode for many quarters now. It is possible that the global economy will shake off much adversity and begin to grow at a faster clip. However, our overall outlook is cautious. Valuations have drifted to somewhat above-average historical levels as investors chase yield and stability, making the risks and rewards of stock investing more asymmetric. Stated more succinctly, the imbalances in the new normal are distinctly abnormal and will eventually equilibrate. We cannot claim any special insight on when this will happen or what the implications will be when it does. Another bear market is possible, but so is a gentle deflation in valuations while earnings gradually catch up with stock prices. In either case, we believe that a historically informed, long-term, and patient approach will best serve our shareholders.

Respectfully submitted,

Brian W.H. Berghuis

Brian W.H. Berghuis
Chairman of the portfolio's Investment Advisory Committee

John F. Wakeman

John F. Wakeman
Executive vice president of the portfolio

July 25, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing its investment program.

Risks of Stock Investing

As with all stock and bond mutual funds, the portfolio's share price can fall because of weakness in the stock or bond markets, a particular industry, or specific holdings. The financial markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance even in rising markets. The stocks of mid-cap companies entail greater risk and are usually more volatile than the shares of larger companies. In addition, growth stocks can be volatile for several reasons. Since they usually reinvest a high proportion of earnings in their own businesses, they may lack the dividends usually associated with value stocks that can cushion their decline in a falling market. Also, since investors buy these stocks because of their expected superior earnings growth, earnings disappointments often result in sharp price declines.

Glossary

Gross domestic product (GDP): The total market value of all goods and services produced in a country in a given year.

Lipper indexes: Fund benchmarks that consist of a small number of the largest mutual funds in a particular category as defined by Lipper Inc.

Real estate investment trusts (REITs): Publicly traded companies that own, develop, and operate apartment complexes, hotels, office buildings, and other commercial properties.

Russell Midcap Growth Index: An unmanaged index that measures the performance of those Russell midcap companies with higher price-to-book ratios and higher forecast growth values.

Russell Midcap Value Index: An unmanaged index that measures the performance of those Russell midcap companies with lower price-to-book ratios and lower forecast growth values.

S&P 500 Index: An unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies.

Note: Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell indexes. Russell™ is a trademark of Russell Investment Group.

Portfolio Highlights

Twenty-Five Largest Holdings

	Percent of Net Assets 6/30/16
Fiserv	2.5%
Willis Tower Watson	2.0
Teleflex	1.8
FNF	1.6
VeriSign	1.6
AutoZone	1.6
Textron	1.6
Equifax	1.6
CarMax	1.6
Dollar General	1.5
T-Mobile US	1.5
IDEX	1.4
Roper Technologies	1.4
Microchip Technology	1.4
Henry Schein	1.4
Hologic	1.4
O'Reilly Automotive	1.4
EQT	1.4
Norwegian Cruise Line Holdings	1.3
Cooper Companies	1.3
Agilent Technologies	1.3
Dentsply Sirona	1.3
Marriott	1.2
IHS	1.2
Global Payments	1.2
Total	37.5%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Portfolio Highlights

Contributions to the Change in Net Asset Value

Six Months Ended 6/30/16

BEST CONTRIBUTORS	
Teleflex	12¢
Fiserv	11
EQT	10
Dollar General	10
Franco-Nevada	8
Cooper Companies	7
Martin Marietta Materials	7
FEI	6
Intuitive Surgical	6
Equifax	6
Total	83¢

WORST CONTRIBUTORS	
Alkermes	-20¢
Norwegian Cruise Line Holdings	-15
Jones Lang LaSalle	-10
LPL Financial Holdings*	-7
Sensata Technologies Holding	-7
Borg-Warner	-7
Royal Caribbean Cruises	-6
Textron	-6
Incyte	-6
L Brands	-5
Total	-89¢

12 Months Ended 6/30/16

BEST CONTRIBUTORS	
Fiserv	19¢
VeriSign	14
Global Payments	12
Teleflex	12
Vantiv	11
Intuitive Surgical	11
Equifax	11
Dollar General	9
Franco-Nevada	8
Waste Connections US	8
Total	115¢

WORST CONTRIBUTORS	
CarMax	-14¢
Norwegian Cruise Line Holdings	-14
Jones Lang LaSalle	-12
Alkermes	-12
Sensata Technologies Holding	-12
Borg-Warner	-10
Textron	-9
LPL Financial Holdings*	-9
Colfax	-8
Range Resources*	-7
Total	-107¢

*Position eliminated.

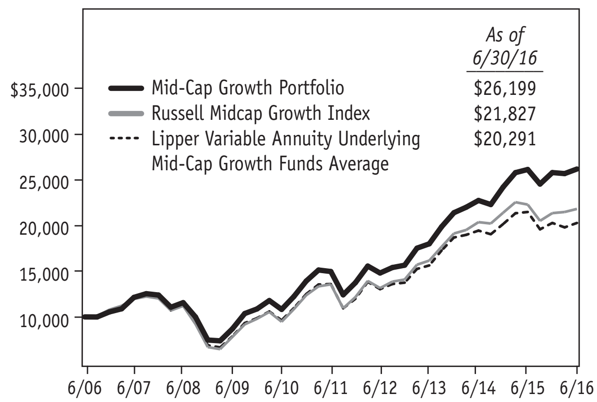
Performance and Expenses

T. Rowe Price Mid-Cap Growth Portfolio

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Mid-Cap Growth Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
Mid-Cap Growth Portfolio	0.20%	11.84%	10.11%
Mid-Cap Growth Portfolio–II	-0.06	11.56	9.83

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Returns do not reflect taxes that the shareholder may pay on distributions or the redemption of shares. Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. 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. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Mid-Cap Growth Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Mid-Cap Growth Portfolio			
Actual	$1,000.00	$1,015.20	$4.26
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.64	4.27
Mid-Cap Growth Portfolio–II			
Actual	1,000.00	1,013.70	5.51
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.39	5.52

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Mid-Cap Growth Portfolio was 0.85%, and the Mid-Cap Growth Portfolio-II was 1.10%.

Financial Highlights

T. Rowe Price Mid-Cap Growth Portfolio
(Unaudited)

Mid-Cap Growth Class

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 25.70	$ 27.88	$ 27.70	$ 22.00	$ 21.27	$ 24.59
Investment activities						
Net investment loss[1]	(0.01)	(0.05)	(0.07)	(0.08)	(0.01)	(0.10)
Net realized and unrealized gain / loss	0.40	1.85	3.62	8.10	2.97	(0.33)
Total from investment activities	0.39	1.80	3.55	8.02	2.96	(0.43)
Distributions						
Net realized gain	–	(3.98)	(3.37)	(2.32)	(2.23)	(2.89)
NET ASSET VALUE						
End of period	**$ 26.09**	**$ 25.70**	**$ 27.88**	**$ 27.70**	**$ 22.00**	**$ 21.27**

Ratios/Supplemental Data

Total return[2]	**1.52%**	**6.56%**	**13.12%**	**36.69%**	**13.90%**	**(1.27)%**
Ratio of total expenses to average net assets	0.85%[3]	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of net investment loss to average net assets	(0.07)%[3]	(0.18)%	(0.25)%	(0.30)%	(0.04)%	(0.39)%
Portfolio turnover rate	10.8%	29.4%	26.1%	25.1%	27.5%	33.2%
Net assets, end of period (in thousands)	$ 348,081	$ 350,626	$ 356,083	$ 342,210	$ 271,056	$ 267,319

(1) Per share amounts calculated using average shares outstanding method.

(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.

(3) Annualized

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

Financial Highlights

T. Rowe Price Mid-Cap Growth Portfolio
(Unaudited)

Mid-Cap Growth-II Class

For a share outstanding throughout each period

	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 24.85	$ 27.08	$ 26.99	$ 21.49	$ 20.82	$ 24.10
Investment activities						
Net investment loss[1]	(0.04)	(0.12)	(0.14)	(0.14)	(0.07)	(0.16)
Net realized and unrealized gain / loss	0.38	1.79	3.52	7.91	2.91	(0.32)
Total from investment activities	0.34	1.67	3.38	7.77	2.84	(0.48)
Distributions						
Net realized gain	–	(3.90)	(3.29)	(2.27)	(2.17)	(2.80)
NET ASSET VALUE						
End of period	**$ 25.19**	**$ 24.85**	**$ 27.08**	**$ 26.99**	**$ 21.49**	**$ 20.82**

Ratios/Supplemental Data

Total return[2]	**1.37%**	**6.27%**	**12.82%**	**36.40%**	**13.62%**	**(1.52)%**
Ratio of total expenses to average net assets	1.10%[3]	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment loss to average net assets	(0.32)%[3]	(0.43)%	(0.50)%	(0.55)%	(0.30)%	(0.64)%
Portfolio turnover rate	10.8%	29.4%	26.1%	25.1%	27.5%	33.2%
Net assets, end of period (in thousands)	$ 53,223	$ 52,528	$ 68,497	$ 63,572	$ 48,850	$ 52,532

(1) Per share amounts calculated using average shares outstanding method.
(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(3) Annualized

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

Portfolio of Investments‡

T. Rowe Price Mid-Cap Growth Portfolio
June 30, 2016 (Unaudited)

(Cost and value in $000s)

	Shares	$ Value
COMMON STOCKS 93.9%		
Consumer Discretionary 16.9%		
Auto Components 0.5%		
Borg-Warner	66,000	1,948
		1,948
Automobiles 0.7%		
Ferrari	24,000	982
Harley-Davidson	16,000	725
Tesla Motors (1)(2)	6,000	1,274
		2,981
Diversified Consumer Services 0.3%		
ServiceMaster Global Holdings (2)	29,000	1,154
		1,154
Hotels, Restaurants & Leisure 4.8%		
Aramark	74,000	2,473
Choice Hotels International	49,000	2,334
Marriott, Class A	74,000	4,918
MGM Resorts International (2)	85,000	1,924
Norwegian Cruise Line Holdings (2)	132,858	5,293
Royal Caribbean Cruises	35,000	2,350
		19,292
Household Durables 0.8%		
Harman International	46,243	3,321
		3,321
Internet & Catalog Retail 0.4%		
TripAdvisor (2)	25,000	1,608
		1,608
Multiline Retail 1.5%		
Dollar General	66,000	6,204
		6,204
Specialty Retail 6.0%		
AutoZone (2)	8,000	6,351
Burlington Stores	4	284
CarMax (2)	127,000	6,227
L Brands	37,000	2,484
Michaels (2)	106,000	3,014
O'Reilly Automotive (2)	20,000	5,422
		23,782
Textiles, Apparel & Luxury Goods 1.9%		
Coach	53,000	2,159
Hanesbrands	140,000	3,518
PVH	20,000	1,885
		7,562
Total Consumer Discretionary		**67,852**
Consumer Staples 2.2%		
Food & Staples Retailing 0.7%		
Sprouts Farmers Market (2)	90,000	2,061
Whole Foods Market	24,000	768
		2,829
Food Products 1.5%		
TreeHouse Foods (2)	25,000	2,566
Whitewave Foods Series A (2)	73,000	3,427
		5,993
Total Consumer Staples		**8,822**
Energy 2.1%		
Oil, Gas & Consumable Fuels 2.1%		
Cabot Oil & Gas	33,000	850
Cimarex Energy	7,000	835
Concho Resources (2)	8,000	954
EQT	70,000	5,420
Pioneer Natural Resources	2,000	302
Total Energy		**8,361**
Financials 10.4%		
Capital Markets 1.5%		
E*TRADE Financial (2)	66,000	1,550
Oaktree Capital Partnership	19,000	851

(Cost and value in $000s)	Shares	$ Value
TD Ameritrade Holding	126,000	3,588
		5,989
Diversified Financial Services 3.6%		
CBOE Holdings	66,000	4,397
FactSet Research Systems	10,000	1,614
Intercontinental Exchange	18,000	4,607
MSCI, Class A	49,000	3,779
		14,397
Insurance 4.6%		
FNF	172,000	6,450
Progressive	126,000	4,221
Willis Towers Watson	64,000	7,956
		18,627
Real Estate Management & Development 0.7%		
Jones Lang LaSalle	24,000	2,339
WeWork, Class A Acquisition Date: 12/9/14 – 5/26/15 Cost $175 (2)(3)(4)	11,592	436
		2,775
Total Financials		**41,788**
Health Care 18.3%		
Biotechnology 2.2%		
Alkermes (2)	91,000	3,933
Alnylam Pharmaceuticals (2)	21,000	1,165
Incyte (2)	24,000	1,920
Vertex Pharmaceuticals (2)	21,000	1,806
		8,824
Health Care Equipment & Supplies 7.9%		
Cooper Companies	30,000	5,147
Dentsply Sirona	82,000	5,087
Hologic (2)	157,722	5,457
IDEXX Laboratories (2)	21,000	1,950
Intuitive Surgical (2)	7,000	4,630
Teleflex	41,000	7,270
West Pharmaceutical Services	26,000	1,973
		31,514

(Cost and value in $000s)	Shares	$ Value
Health Care Providers & Services 3.8%		
Acadia Healthcare (2)	33,000	1,828
Envision Healthcare Holdings (2)	49,000	1,243
Henry Schein (2)	31,000	5,481
MEDNAX (2)	65,000	4,708
Universal Health Services	16,000	2,146
		15,406
Health Care Technology 0.9%		
IMS Health Holdings (2)	77,000	1,953
Veeva Systems, Class A (2)	49,000	1,672
		3,625
Life Sciences Tools & Services 2.9%		
Agilent Technologies	115,000	5,101
Bruker	155,000	3,525
Illumina (2)	10,000	1,404
Mettler-Toledo International (2)	4,000	1,459
		11,489
Pharmaceuticals 0.6%		
Catalent (2)	107,000	2,460
		2,460
Total Health Care		**73,318**
Industrials & Business Services 20.6%		
Aerospace & Defense 3.6%		
DigitalGlobe (2)	91,000	1,946
Harris	49,000	4,089
Rockwell Collins	25,000	2,128
Textron	173,000	6,325
		14,488
Building Products 1.1%		
Allegion	63,000	4,374
		4,374
Commercial Services & Supplies 2.9%		
IHS (2)	41,000	4,740
KAR Auction Services	62,000	2,588
Waste Connections	61,000	4,395
		11,723

(Cost and value in $000s)	Shares	$ Value
Electrical Equipment 2.7%		
Acuity Brands	14,000	3,472
AMETEK	74,000	3,421
Sensata Technologies Holding (2)	115,000	4,012
		10,905
Industrial Conglomerates 1.4%		
Roper Technologies	33,000	5,629
		5,629
Machinery 3.2%		
Colfax (2)	52,827	1,398
IDEX	69,000	5,665
Middleby (2)	15,000	1,729
Rexnord (2)	7,000	137
WABCO Holdings (2)	12,000	1,099
Xylem	61,000	2,723
		12,751
Professional Services 3.3%		
Equifax	49,000	6,292
ManpowerGroup	24,000	1,544
TransUnion (2)	24,000	802
Verisk Analytics, Class A (2)	58,000	4,703
		13,341
Road & Rail 2.4%		
J.B. Hunt Transport Services	37,000	2,994
Kansas City Southern	49,000	4,415
Old Dominion Freight Line (2)	33,000	1,990
		9,399
Total Industrials & Business Services		**82,610**
Information Technology 17.0%		
Communications Equipment 0.1%		
Palo Alto Networks (2)	4,000	491
		491
Electronic Equipment, Instruments & Components 1.9%		
Cognex	26,000	1,121
FEI	26,000	2,779

(Cost and value in $000s)	Shares	$ Value
Keysight Technologies (2)	127,000	3,694
		7,594
Internet Software & Services 2.6%		
Akamai Technologies (2)	33,000	1,846
Dropbox, Class B Acquisition Date: 5/1/12 Cost $77 (2)(3)(4)	8,506	67
Match, Class A (2)	45,000	678
VeriSign (2)	74,000	6,398
Zillow (2)	16,000	586
Zillow, Class C (2)	24,000	871
		10,446
IT Services 6.9%		
CoreLogic (2)	82,000	3,156
Fidelity National Information	37,000	2,726
Fiserv (2)	94,000	10,221
Gartner (2)	25,000	2,435
Global Payments	66,000	4,711
Vantiv, Class A (2)	82,000	4,641
		27,890
Semiconductor & Semiconductor Equipment 2.3%		
Microchip Technology	110,000	5,584
NXP Semiconductors (2)	22,000	1,723
Xilinx	41,000	1,891
		9,198
Software 3.2%		
Atlassian, Class A (2)	65,000	1,683
Guidewire Software (2)	6,000	371
Mobileye (2)	41,000	1,892
NetSuite (2)	13,000	946
Red Hat (2)	62,000	4,501
ServiceNow (2)	12,000	797
SS&C Technologies Holdings	66,000	1,853
Tableau Software (2)	16,000	783
		12,826
Total Information Technology		**68,445**

(Cost and value in $000s)	Shares	$ Value
Materials 4.9%		
Chemicals 2.3%		
Air Products & Chemicals	28,000	3,977
Ashland	19,000	2,180
RPM	66,000	3,297
		9,454
Construction Materials 0.8%		
Martin Marietta Materials	16,000	3,072
		3,072
Containers & Packaging 1.0%		
Ball	58,000	4,193
		4,193
Metals & Mining 0.8%		
Franco-Nevada	41,000	3,119
		3,119
Total Materials		**19,838**
Telecommunication Services 1.5%		
Wireless Telecommunication Services 1.5%		
T-Mobile US (2)	140,000	6,059
Total Telecommunication Services		**6,059**
Total Common Stocks (Cost $238,035)		**377,093**
CONVERTIBLE PREFERRED STOCKS 0.5%		
Financials 0.4%		
Real Estate Management & Development 0.4%		
WeWork, Series D-1 Acquisition Date: 12/9/14 Cost $362 (2)(3)(4)	21,721	818
WeWork, Series D-2 Acquisition Date: 12/9/14 Cost $284 (2)(3)(4)	17,066	642
Total Financials		**1,460**

(Cost and value in $000s)	Shares	$ Value
Information Technology 0.1%		
Internet Software & Services 0.1%		
Dropbox, Series A Acquisition Date: 5/1/12 Cost $96 (2)(3)(4)	10,562	84
Dropbox, Series A-1 Acquisition Date: 5/1/12 Cost $470 (2)(3)(4)	51,884	410
Living Social, Series E Acquisition Date: 4/1/11 Cost $907 (2)(3)(4)	160,430	—
Total Information Technology		**494**
Total Convertible Preferred Stocks (Cost $2,118)		**1,954**
SHORT-TERM INVESTMENTS 5.8%		
Money Market Funds 5.8%		
T Rowe Price Government Reserve Investment Fund, 0.31% (5)(6)	23,177,368	23,177
Total Short-Term Investments (Cost $23,177)		**23,177**

(Cost and value in $000s)

	Shares	$ Value
SECURITIES LENDING COLLATERAL 0.1%		
Investments in a Pooled Account through Securities Lending Program with State Street Bank and Trust Company 0.1%		
Money Market Funds 0.1%		
T. Rowe Price Short-Term Reserve Fund, 0.33% (5)(6)	28,571	286
Total Investments through Securities Lending Program with State Street Bank and Trust Company		**286**
Total Securities Lending Collateral (Cost $286)		**286**
Total Investments in Securities		
100.3% of Net Assets (Cost $263,616)		**$ 402,510**

‡ Shares are denominated in U.S. dollars unless otherwise noted.

(1) All or a portion of this security is on loan at June 30, 2016 -- total value of such securities at period-end amounts to $283. See Note 3.

(2) Non-income producing

(3) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to $2,457 and represents 0.6% of net assets.

(4) Level 3 in fair value hierarchy. See Note 2.

(5) Seven-day yield

(6) Affiliated Company

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2016. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/16	Value 12/31/15
T. Rowe Price Government Reserve Investment Fund	¤	¤	$ 28	$ 23,177	$ 16,947
T. Rowe Price Short-Term Reserve Fund	¤	¤	—^	286	68
Totals			$ 28	$ 23,463	$ 17,015

¤Purchase and sale information not shown for cash management funds.
^Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 3.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 23,463
Dividend income	28
Interest income	-
Investment income	$ 28
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual funds	$ -

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

Statement of Assets and Liabilities

T. Rowe Price Mid-Cap Growth Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $263,616)	$	402,510
Receivable for investment securities sold		1,631
Dividends receivable		142
Receivable for shares sold		25
Cash		15
Other assets		1
Total assets		404,324
Liabilities		
Payable for investment securities purchased		2,156
Investment management and administrative fees payable		352
Obligation to return securities lending collateral		286
Payable for shares redeemed		226
Total liabilities		3,020
NET ASSETS	**$**	**401,304**
Net Assets Consist of:		
Accumulated net investment loss	$	(195)
Accumulated undistributed net realized gain		8,978
Net unrealized gain		138,894
Paid-in capital applicable to 15,456,407 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		253,627
NET ASSETS	**$**	**401,304**
NET ASSET VALUE PER SHARE		
Mid-Cap Growth Class ($348,081,032 / 13,343,731 shares outstanding)	**$**	**26.09**
Mid-Cap Growth - II Class ($53,223,378 / 2,112,676 shares outstanding)	**$**	**25.19**

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

Statement of Operations

T. Rowe Price Mid-Cap Growth Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Income	
Dividend	$ 1,486
Interest	5
Securities lending	3
Total income	1,494
Expenses	
Investment management and administrative expense	1,626
Rule 12b-1 fees - Mid-Cap Growth-II Class	63
Total expenses	1,689
Net investment loss	(195)
Realized and Unrealized Gain / Loss	
Net realized gain on securities	8,046
Change in net unrealized gain / loss on securities	(2,595)
Net realized and unrealized gain / loss	5,451
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 5,256**

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

Statement of Changes in Net Assets

T. Rowe Price Mid-Cap Growth Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Operations		
Net investment loss	$ (195)	$ (893)
Net realized gain	8,046	54,733
Change in net unrealized gain / loss	(2,595)	(26,003)
Increase in net assets from operations	5,256	27,837
Distributions to shareholders		
Net realized gain		
Mid-Cap Growth Class	–	(47,799)
Mid-Cap Growth-II Class	–	(7,099)
Decrease in net assets from distributions	–	(54,898)
Capital share transactions*		
Shares sold		
Mid-Cap Growth Class	15,931	28,461
Mid-Cap Growth-II Class	3,745	14,709
Distributions reinvested		
Mid-Cap Growth Class	–	47,799
Mid-Cap Growth-II Class	–	7,098
Shares redeemed		
Mid-Cap Growth Class	(23,113)	(57,558)
Mid-Cap Growth-II Class	(3,669)	(34,874)
Increase (decrease) in net assets from capital share transactions	(7,106)	5,635
Net Assets		
Decrease during period	(1,850)	(21,426)
Beginning of period	403,154	424,580
End of period	**$ 401,304**	**$ 403,154**
Undistributed (accumulated) net investment income (loss)	(195)	–
*Share information		
Shares sold		
Mid-Cap Growth Class	634	971
Mid-Cap Growth-II Class	153	512
Distributions reinvested		
Mid-Cap Growth Class	–	1,874
Mid-Cap Growth-II Class	–	288
Shares redeemed		
Mid-Cap Growth Class	(933)	(1,974)
Mid-Cap Growth-II Class	(154)	(1,216)
Increase (decrease) in shares outstanding	(300)	455

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

T. Rowe Price Equity Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The Mid-Cap Growth Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks to provide long-term capital appreciation by investing in mid-cap stocks with potential for above-average earnings growth. The fund has two classes of shares: the Mid-Cap Growth Portfolio original share class (Mid-Cap Growth Class), incepted on December 31, 1996, and the Mid-Cap Growth Portfolio–II (Mid-Cap Growth–II Class), incepted on April 30, 2002. Mid-Cap Growth–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions, if any, are reflected as realized gain/loss. Earnings on investments recognized as partnerships for federal income tax purposes reflect the tax character of such earnings. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Income distributions are declared and paid by each class annually. Distributions to shareholders are recorded on the ex-dividend date. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Class Accounting Investment income, investment management and administrative expense, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. Mid-Cap Growth–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

Rebates Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $3,000 for the six months ended June 30, 2016.

NOTE 2 - VALUATION

The fund's financial instruments are valued and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices. Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The

Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2016:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ 23,463	$ —	$ —	$ 23,463
Common Stocks	376,590	—	503	377,093
Convertible Preferred Stocks	—	—	1,954	1,954
Total	$ 400,053	$ —	$ 2,457	$ 402,510

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2016.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2016. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at June 30, 2016, totaled $133,000 for the six months ended June 30, 2016.

($000s)	Beginning Balance 1/1/16	Gain (Loss) During Period	Ending Balance 6/30/16
Investments in Securities			
Common Stocks	$ 461	$ 42	$ 503
Convertible Preferred Stocks	1,863	91	1,954
Total Level 3	$ 2,324	$ 133	$ 2,457

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Securities Lending The fund may lend its securities to approved brokers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested by the lending agent(s) in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At June 30, 2016, the value of loaned securities was $283,000; the value of cash collateral and related investments was $286,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $39,935,000 and $49,705,000, respectively, for the six months ended June 30, 2016.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2016, the cost of investments for federal income tax purposes was $265,034,000. Net unrealized gain aggregated $137,476,000 at period-end, of which $144,534,000 related to appreciated investments and $7,058,000 related to depreciated investments.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.85% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

The fund may invest in the T. Rowe Price Reserve Investment Fund, the T. Rowe Price Government Reserve Investment Fund, or the T. Rowe Price Short-Term Reserve Fund (collectively, the Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve Investment Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. The Price Reserve Investment Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of June 30, 2016.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund

The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-year, 5-year, and 10-year periods, and compared these returns with a wide variety of comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Fees

The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio (for the Original Class and II Class) in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses, and the total expense ratio was equal to the all-inclusive management fee rate. The information provided to the Board indicated that the fund's management fee rate was above the median for comparable funds. The information also indicated that the total expense ratio (for the Original Class) was at or below the median for comparable funds and the total expense ratio (for the II Class) was above the median for comparable funds.

Approval of Investment Management Agreement (continued)

The Board also reviewed the fee schedules for institutional accounts (including subadvised mutual funds) and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business differ from those of the Advisor's proprietary mutual fund business. The Board considered information showing that the Advisor's proprietary mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various other relevant factors, including the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its proprietary mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for another institutional account and the degree to which the Advisor performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract

As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

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T. Rowe Price
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

2016-US-25068 E305-051 8/16

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Equity Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Equity Index Portfolio

Despite significant volatility, the broad U.S. stock market finished the first half of 2016 with solid gains. For the six months ended June 30, 2016 Vanguard Equity Index Portfolio returned 3.78%, in line with its benchmark index (+3.84%) and better than the average return of peer funds (+2.54%).

The table below shows the returns of your portfolio and its comparative standards for the period.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Consumer staples and energy drove portfolio performance

The Equity Index Portfolio invests in 500 of the largest U.S. companies, which span many different industries and account for about three-fourths of the U.S. stock market's value. Stocks of large-capitalization companies returned more than those of smaller companies, helping the portfolio to slightly outpace the broad market.

Eight of the ten industry sectors represented in the portfolio advanced, with four of them—consumer staples, energy, telecommunication services, and utilities—posting double-digit returns. Aside from energy, these sectors are often viewed as safer and more defensive; their outperformance reflected the caution many investors felt during the period.

Consumer staples and energy lifted performance most, each adding more than 1 percentage point to the portfolio's overall result. Within consumer staples (+10%), tobacco, food, and household product companies were among the leaders.

As oil and commodity prices have bounced back a bit over the past few months, so has the energy sector (+16%). Integrated oil and gas companies and exploration and production firms have done particularly well.

Telecommunication services (+25%) and utilities (+23%), two of the fund's smaller-weighted sectors, also provided a significant boost to returns. Both industries deliver stable, steady dividend yields, which tend to be attractive to investors seeking income at a time when bond yields are historically low and stock volatility is high.

Industrials, which returned about 6%, was another notable performer. Gains were evident across most of the sector, with conglomerates, machinery, and aerospace and defense firms making solid contributions.

Financials (–3%) detracted the most from the index's return. Lower long-term interest rates have hurt banks, asset managers, consumer finance companies, and investment firms. Information technology was down slightly for the period; stocks of some internet and technology hardware firms experienced declines.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Equity Index Portfolio	3.78%
S&P 500 Index	3.84
Variable Insurance Large-Cap Core Funds Average[1]	2.54

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.40%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.15%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	507	505	3,863
Median Market Cap	$77.0B	$78.7B	$53.0B
Price/Earnings Ratio	20.7x	20.7x	22.0x
Price/Book Ratio	2.8x	2.8x	2.7x
Yield[3]	2.0%	2.2%	2.1%
Return on Equity	17.6%	17.3%	16.5%
Earnings Growth Rate	6.9%	7.0%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	5%	—	—
Expense Ratio[5]	0.15%	—	—
Short-Term Reserves	0.5%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.99
Beta	1.00	0.98

Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Consumer Discretionary	12.3%	12.3%	12.9%
Consumer Staples	10.6	10.6	9.3
Energy	7.4	7.4	6.7
Financials	15.7	15.7	17.5
Health Care	14.7	14.7	14.2
Industrials	10.2	10.2	10.6
Information Technology	19.6	19.8	19.2
Materials	2.9	2.8	3.3
Telecommunication Services	2.9	2.9	2.6
Utilities	3.7	3.6	3.7

Ten Largest Holdings[6] (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	2.9%
Alphabet Inc.	Internet Software & Services	2.2
Microsoft Corp.	Systems Software	2.2
Exxon Mobil Corp.	Integrated Oil & Gas	2.1
Johnson & Johnson	Pharmaceuticals	1.8
General Electric Co.	Industrial Conglomerates	1.6
Amazon.com Inc.	Internet Retail	1.5
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.5
AT&T Inc.	Integrated Telecommunication Services	1.5
Facebook Inc.	Internet Software & Services	1.4
Top Ten		18.7%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large		■	
	Medium			
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

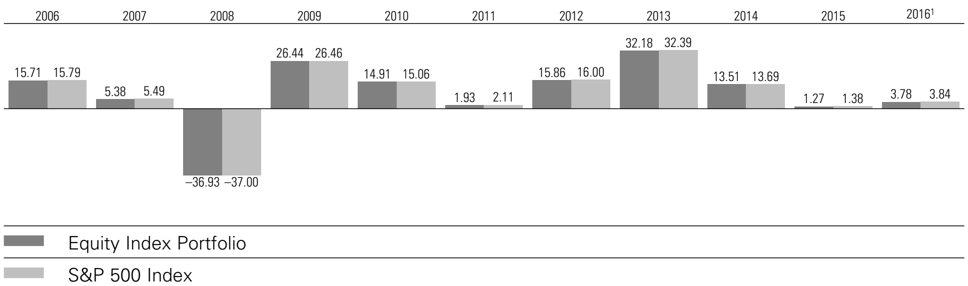
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 S&P 500 Index.
2 Dow Jones U.S. Total Stock Market Float Adjusted Index.
3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.
4 Annualized.
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.15%.
6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Equity Index Portfolio	4/29/1991	3.87%	11.94%	7.32%

1 Six months ended June 30, 2016.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

		Shares	Market Value• ($000)
Common Stocks (99.7%)[1]			
Consumer Discretionary (12.2%)			
*	Amazon.com Inc.	87,692	62,754
	Home Depot Inc.	282,011	36,010
	Comcast Corp. Class A	548,008	35,725
	Walt Disney Co.	338,335	33,096
	McDonald's Corp.	198,991	23,947
	Starbucks Corp.	332,102	18,970
	NIKE Inc. Class B	301,878	16,664
	Lowe's Cos. Inc.	200,901	15,905
*	Priceline Group Inc.	11,259	14,056
	Time Warner Inc.	178,251	13,109
	TJX Cos. Inc.	149,925	11,579
	Ford Motor Co.	884,481	11,118
	Target Corp.	133,604	9,328
	General Motors Co.	317,627	8,989
*	Netflix Inc.	97,141	8,886
	Yum! Brands Inc.	92,445	7,666
	Twenty-First Century Fox Inc. Class A	248,371	6,718
	Johnson Controls Inc.	147,025	6,507
	Dollar General Corp.	64,388	6,052
*	O'Reilly Automotive Inc.	21,867	5,928
*	AutoZone Inc.	6,773	5,377
	Ross Stores Inc.	90,952	5,156
	CBS Corp. Class B	94,181	5,127
*	Dollar Tree Inc.	53,287	5,022
	Newell Brands Inc.	103,135	5,009
	VF Corp.	75,740	4,657
	Omnicom Group Inc.	54,215	4,418
	Carnival Corp.	99,525	4,399
	Delphi Automotive plc	62,019	3,882
	L Brands Inc.	57,089	3,832
*	Ulta Salon Cosmetics & Fragrance Inc.	14,263	3,475
	Genuine Parts Co.	34,018	3,444
	Viacom Inc. Class B	78,326	3,248
	Marriott International Inc. Class A	43,104	2,865
	Whirlpool Corp.	17,115	2,852
	Starwood Hotels & Resorts Worldwide Inc.	38,247	2,828
	Expedia Inc.	26,417	2,808
	Tractor Supply Co.	30,246	2,758
*	Mohawk Industries Inc.	14,478	2,747
	Advance Auto Parts Inc.	16,676	2,695
	Twenty-First Century Fox Inc.	97,757	2,664
*	Chipotle Mexican Grill Inc. Class A	6,586	2,653
	Royal Caribbean Cruises Ltd.	38,292	2,571
	Coach Inc.	62,861	2,561
	Mattel Inc.	77,258	2,417
	DR Horton Inc.	74,927	2,359
	Macy's Inc.	70,023	2,353
*	LKQ Corp.	69,518	2,204
*	CarMax Inc.	43,787	2,147
	Hanesbrands Inc.	85,135	2,139
	Hasbro Inc.	25,390	2,133
	Interpublic Group of Cos. Inc.	91,267	2,108
*	Michael Kors Holdings Ltd.	40,159	1,987
	Best Buy Co. Inc.	63,991	1,958
	Lennar Corp. Class A	41,445	1,911
	Harley-Davidson Inc.	41,136	1,863
	Wyndham Worldwide Corp.	25,176	1,793
	PVH Corp.	18,505	1,744
	Foot Locker Inc.	30,778	1,689
	Wynn Resorts Ltd.	18,555	1,682
*,^	Under Armour Inc. Class A	41,367	1,660
*	TripAdvisor Inc.	25,617	1,647
	Darden Restaurants Inc.	25,649	1,625
	Kohl's Corp.	42,071	1,595
	Leggett & Platt Inc.	30,344	1,551
	Goodyear Tire & Rubber Co.	60,184	1,544
	Tiffany & Co.	25,107	1,523
*	Under Armour Inc.	41,652	1,516
	Bed Bath & Beyond Inc.	34,808	1,504
	BorgWarner Inc.	49,850	1,472
	Signet Jewelers Ltd.	17,820	1,469
	PulteGroup Inc.	71,425	1,392
	Scripps Networks Interactive Inc. Class A	21,371	1,331
*	Discovery Communications Inc.	53,418	1,274
	Staples Inc.	147,351	1,270
	News Corp. Class A	109,223	1,240
	H&R Block Inc.	52,718	1,213
	Ralph Lauren Corp. Class A	13,232	1,186
	TEGNA Inc.	49,632	1,150
	Harman International Industries Inc.	15,752	1,131
	Garmin Ltd.	26,615	1,129
	Nordstrom Inc.	28,646	1,090
	Gap Inc.	50,809	1,078
*	Discovery Communications Inc. Class A	33,718	851
*	AutoNation Inc.	15,981	751
*	Urban Outfitters Inc.	19,709	542
			506,276
Consumer Staples (10.5%)			
	Procter & Gamble Co.	603,324	51,083
	Coca-Cola Co.	882,587	40,008
	Philip Morris International Inc.	351,600	35,765
	PepsiCo Inc.	327,400	34,685
	Altria Group Inc.	443,475	30,582
	Wal-Mart Stores Inc.	346,229	25,282
	CVS Health Corp.	243,461	23,309
	Walgreens Boots Alliance Inc.	195,935	16,316
	Mondelez International Inc. Class A	351,855	16,013
	Costco Wholesale Corp.	99,372	15,605
	Colgate-Palmolive Co.	202,472	14,821
	Kraft Heinz Co.	135,120	11,955
	Kimberly-Clark Corp.	81,712	11,234
	Reynolds American Inc.	187,656	10,120
	General Mills Inc.	134,814	9,615
	Kroger Co.	216,238	7,955
	Constellation Brands Inc. Class A	39,905	6,600
	Sysco Corp.	118,808	6,028
	Archer-Daniels-Midland Co.	133,212	5,714
*	Monster Beverage Corp.	31,822	5,114
	ConAgra Foods Inc.	98,571	4,713
	Kellogg Co.	57,218	4,672
	Estee Lauder Cos. Inc. Class A	50,268	4,575
	Tyson Foods Inc. Class A	68,232	4,557
	Molson Coors Brewing Co. Class B	41,660	4,213
	JM Smucker Co.	27,195	4,145
	Dr Pepper Snapple Group Inc.	42,242	4,082
	Clorox Co.	29,387	4,067
	Mead Johnson Nutrition Co.	42,181	3,828
	Hershey Co.	32,090	3,642
	Church & Dwight Co. Inc.	29,294	3,014
	McCormick & Co. Inc.	25,965	2,770
	Campbell Soup Co.	40,716	2,709
	Whole Foods Market Inc.	72,840	2,332
	Brown-Forman Corp. Class B	22,775	2,272
	Hormel Foods Corp.	61,020	2,233
			435,628
Energy (7.4%)			
	Exxon Mobil Corp.	939,927	88,109
	Chevron Corp.	427,261	44,790
	Schlumberger Ltd.	314,975	24,908
	Occidental Petroleum Corp.	173,145	13,083
	ConocoPhillips	280,687	12,238
	EOG Resources Inc.	124,782	10,409
	Halliburton Co.	194,770	8,821
	Phillips 66	106,040	8,413
	Kinder Morgan Inc.	414,784	7,765
	Anadarko Petroleum Corp.	115,709	6,162
	Spectra Energy Corp.	155,233	5,686
	Pioneer Natural Resources Co.	37,147	5,617
	Valero Energy Corp.	106,635	5,438
	Apache Corp.	85,489	4,759
	Marathon Petroleum Corp.	119,704	4,544
	Baker Hughes Inc.	98,985	4,467
	Devon Energy Corp.	118,323	4,289
	Hess Corp.	59,443	3,573
*	Concho Resources Inc.	29,418	3,509
	Noble Energy Inc.	96,986	3,479
	Williams Cos. Inc.	154,431	3,340
	EQT Corp.	39,057	3,024
	Marathon Oil Corp.	191,483	2,874
	National Oilwell Varco Inc.	85,222	2,868
	Cabot Oil & Gas Corp.	104,924	2,701
	Cimarex Energy Co.	21,506	2,566
	Columbia Pipeline Group Inc.	90,651	2,311
	ONEOK Inc.	47,512	2,255
	Tesoro Corp.	27,063	2,028
*	Newfield Exploration Co.	44,438	1,963

		Shares	Market Value• ($000)
	Range Resources Corp.	38,281	1,651
	Helmerich & Payne Inc.	24,328	1,633
*	FMC Technologies Inc.	50,610	1,350
*	Southwestern Energy Co.	106,875	1,345
	Murphy Oil Corp.	36,637	1,163
	Transocean Ltd.	77,558	922
*	Chesapeake Energy Corp.	132,043	565
	Diamond Offshore Drilling Inc.	14,976	364
			304,982
Financials (15.7%)			
*	Berkshire Hathaway Inc. Class B	393,263	56,940
	JPMorgan Chase & Co.	828,832	51,504
	Wells Fargo & Co.	1,047,260	49,567
	Bank of America Corp.	2,328,246	30,896
	Citigroup Inc.	665,227	28,199
	Simon Property Group Inc.	70,138	15,213
	US Bancorp	367,882	14,837
	Chubb Ltd.	105,332	13,768
	American International Group Inc.	253,660	13,416
	Goldman Sachs Group Inc.	87,566	13,011
	American Express Co.	183,290	11,137
	American Tower Corporation	96,240	10,934
	MetLife Inc.	249,068	9,920
	BlackRock Inc.	28,518	9,768
	Bank of New York Mellon Corp.	244,168	9,486
	PNC Financial Services Group Inc.	113,196	9,213
	Morgan Stanley	342,516	8,899
	Public Storage	33,409	8,539
	Marsh & McLennan Cos. Inc.	118,171	8,090
	Travelers Cos. Inc.	66,151	7,875
	Crown Castle International Corp.	76,429	7,752
	CME Group Inc.	76,835	7,484
	Capital One Financial Corp.	116,128	7,375
	Prudential Financial Inc.	100,265	7,153
	Intercontinental Exchange Inc.	26,995	6,910
	Charles Schwab Corp.	272,661	6,901
	Aflac Inc.	93,964	6,780
	BB&T Corp.	186,090	6,627
	Aon plc	60,086	6,563
	S&P Global Inc.	60,045	6,440
	Welltower Inc.	81,031	6,172
	Equinix Inc.	15,744	6,104
	Allstate Corp.	84,684	5,924
	Prologis Inc.	118,721	5,822
	Equity Residential	82,604	5,690
	AvalonBay Communities Inc.	31,020	5,596
	Ventas Inc.	76,697	5,585
	Weyerhaeuser Co.	168,725	5,023
	Discover Financial Services	93,443	5,008
	State Street Corp.	89,800	4,842
*	Synchrony Financial	188,439	4,764
	SunTrust Banks Inc.	113,831	4,676
	Boston Properties Inc.	34,687	4,575
*	Berkshire Hathaway Inc. Class A	21	4,556
	Progressive Corp.	132,179	4,428
	M&T Bank Corp.	35,959	4,251
	T. Rowe Price Group Inc.	56,039	4,089
	Realty Income Corp.	58,209	4,037
	Vornado Realty Trust	40,094	4,014
	Hartford Financial Services Group Inc.	88,964	3,948
	General Growth Properties Inc.	131,682	3,927
	Willis Towers Watson plc	31,331	3,895
	HCP Inc.	105,531	3,734
	Digital Realty Trust Inc.	33,241	3,623
	Moody's Corp.	38,340	3,593
	Essex Property Trust Inc.	14,837	3,384
	Ameriprise Financial Inc.	37,627	3,381
	Northern Trust Corp.	48,547	3,217
	Fifth Third Bancorp	173,214	3,047
	Kimco Realty Corp.	94,722	2,972
	Franklin Resources Inc.	83,124	2,774
	Host Hotels & Resorts Inc.	169,418	2,746
	Federal Realty Investment Trust	16,098	2,665
	Extra Space Storage Inc.	28,382	2,626
	Cincinnati Financial Corp.	33,415	2,502
	Principal Financial Group Inc.	60,864	2,502
	Loews Corp.	60,727	2,495
	Macerich Co.	28,677	2,449
	Regions Financial Corp.	285,753	2,432
	SL Green Realty Corp.	22,654	2,412
	Invesco Ltd.	94,254	2,407
	Citizens Financial Group Inc.	118,415	2,366
	UDR Inc.	60,678	2,240
	Iron Mountain Inc.	54,069	2,154
	XL Group plc Class A	64,143	2,137
	KeyCorp	190,082	2,100
	Lincoln National Corp.	53,950	2,092
	Arthur J Gallagher & Co.	40,274	1,917
*	CBRE Group Inc. Class A	65,916	1,745
	Unum Group	54,823	1,743
*	Affiliated Managers Group Inc.	12,208	1,718
	Nasdaq Inc.	25,917	1,676
	Comerica Inc.	39,728	1,634
	Huntington Bancshares Inc.	180,445	1,613
	Torchmark Corp.	25,634	1,585
	Apartment Investment & Management Co.	35,233	1,556
*	E*TRADE Financial Corp.	62,851	1,476
	Leucadia National Corp.	76,014	1,317
	Assurant Inc.	13,887	1,199
	Zions Bancorporation	45,795	1,151
	People's United Financial Inc.	69,826	1,024
	Navient Corp.	76,735	917
	Legg Mason Inc.	24,224	714
			649,158
Health Care (14.6%)			
	Johnson & Johnson	623,450	75,625
	Pfizer Inc.	1,374,670	48,402
	Merck & Co. Inc.	627,461	36,148
	UnitedHealth Group Inc.	215,600	30,443
	Bristol-Myers Squibb Co.	378,396	27,831
	Medtronic plc	318,747	27,658
	Amgen Inc.	170,346	25,918
	Gilead Sciences Inc.	301,938	25,188
	AbbVie Inc.	366,674	22,701
*	Allergan plc	89,659	20,719
	Eli Lilly & Co.	220,209	17,341
*	Celgene Corp.	175,580	17,317
	Thermo Fisher Scientific Inc.	89,239	13,186
	Abbott Laboratories	333,030	13,091
*	Biogen Inc.	49,658	12,008
*	Express Scripts Holding Co.	143,510	10,878
	Aetna Inc.	79,486	9,708
	McKesson Corp.	51,074	9,533
	Stryker Corp.	71,288	8,542
	Becton Dickinson and Co.	48,147	8,165
	Anthem Inc.	59,658	7,835
	Cigna Corp.	58,209	7,450
*	Boston Scientific Corp.	307,562	7,188
*	Regeneron Pharmaceuticals Inc.	17,693	6,179
	Humana Inc.	33,844	6,088
*	Alexion Pharmaceuticals Inc.	50,903	5,943
	Cardinal Health Inc.	73,969	5,770
*	Intuitive Surgical Inc.	8,632	5,709
	Baxter International Inc.	125,293	5,666
	Zimmer Biomet Holdings Inc.	45,015	5,419
*	HCA Holdings Inc.	68,280	5,258
	St. Jude Medical Inc.	64,279	5,014
	Zoetis Inc.	103,471	4,911
*	Vertex Pharmaceuticals Inc.	55,885	4,807
*	Edwards Lifesciences Corp.	48,022	4,789
*	Illumina Inc.	33,262	4,669
*	Mylan NV	96,432	4,170
*	Cerner Corp.	67,876	3,978
	CR Bard Inc.	16,584	3,900
	AmerisourceBergen Corp. Class A	41,706	3,308
	Agilent Technologies Inc.	74,431	3,302
*	Henry Schein Inc.	18,550	3,280
	Dentsply Sirona Inc.	52,804	3,276
*	Laboratory Corp. of America Holdings	23,178	3,019
	Perrigo Co. plc	32,754	2,970
*	DaVita HealthCare Partners Inc.	37,404	2,892
*	Centene Corp.	38,503	2,748
	Universal Health Services Inc. Class B	20,352	2,729
	Quest Diagnostics Inc.	31,980	2,604
*	Waters Corp.	18,407	2,589
*	Hologic Inc.	55,369	1,916
*	Varian Medical Systems Inc.	21,472	1,766
*	Mallinckrodt plc	24,661	1,499
	PerkinElmer Inc.	24,856	1,303
	Patterson Cos. Inc.	19,000	910
*	Endo International plc	46,512	725
			605,981
Industrials (10.1%)			
	General Electric Co.	2,084,242	65,612
	3M Co.	137,537	24,085
	Honeywell International Inc.	172,823	20,103
	United Technologies Corp.	176,438	18,094
	Boeing Co.	135,756	17,631
	United Parcel Service Inc. Class B	156,495	16,858
	Union Pacific Corp.	190,666	16,636
	Lockheed Martin Corp.	59,346	14,728
	Danaher Corp.	135,892	13,725
	Caterpillar Inc.	132,433	10,040
	Raytheon Co.	67,210	9,137
	Northrop Grumman Corp.	40,907	9,093
	General Dynamics Corp.	65,132	9,069
	FedEx Corp.	56,655	8,599
	Illinois Tool Works Inc.	73,310	7,636
	Emerson Electric Co.	145,910	7,611
	Delta Air Lines Inc.	175,032	6,376
	Waste Management Inc.	93,735	6,212
	Eaton Corp. plc	103,877	6,205
	Norfolk Southern Corp.	67,061	5,709
	Southwest Airlines Co.	144,889	5,681
	CSX Corp.	216,749	5,653
	Deere & Co.	67,691	5,486
	Nielsen Holdings plc	81,845	4,253

		Shares	Market Value• ($000)
	PACCAR Inc.	79,330	4,115
	Tyco International plc	96,135	4,095
	Cummins Inc.	35,984	4,046
	Roper Technologies Inc.	22,957	3,915
	Stanley Black & Decker Inc.	34,227	3,807
	Ingersoll-Rand plc	58,379	3,718
	American Airlines Group Inc.	130,408	3,692
	Equifax Inc.	27,020	3,469
	Rockwell Automation Inc.	29,556	3,394
	Parker-Hannifin Corp.	30,412	3,286
*	TransDigm Group Inc.	12,028	3,172
*	United Continental Holdings Inc.	76,105	3,123
	WW Grainger Inc.	12,930	2,938
	Fastenal Co.	65,368	2,902
*	Verisk Analytics Inc. Class A	35,072	2,844
	Republic Services Inc. Class A	53,802	2,761
	L-3 Communications Holdings Inc.	17,581	2,579
	Rockwell Collins Inc.	29,361	2,500
	Acuity Brands Inc.	9,908	2,457
	AMETEK Inc.	53,004	2,450
	Dover Corp.	35,254	2,444
	CH Robinson Worldwide Inc.	32,382	2,404
	Pentair plc	40,974	2,388
	Masco Corp.	75,555	2,338
	Textron Inc.	60,890	2,226
	Kansas City Southern	24,557	2,212
	Snap-on Inc.	13,136	2,073
	Expeditors International of Washington Inc.	41,858	2,053
*	Stericycle Inc.	19,312	2,011
	Fortune Brands Home & Security Inc.	34,633	2,008
	Cintas Corp.	19,650	1,928
	Xylem Inc.	40,648	1,815
	JB Hunt Transport Services Inc.	20,280	1,641
	Alaska Air Group Inc.	27,914	1,627
	Fluor Corp.	31,376	1,546
	Allegion plc	21,593	1,499
*	Jacobs Engineering Group Inc.	27,772	1,383
*	United Rentals Inc.	20,558	1,379
	Flowserve Corp.	29,644	1,339
	Robert Half International Inc.	29,639	1,131
	Dun & Bradstreet Corp.	8,367	1,019
	Pitney Bowes Inc.	44,658	795
*	Quanta Services Inc.	33,794	781
	Ryder System Inc.	12,283	751
			420,286
	Information Technology (19.7%)		
	Apple Inc.	1,241,559	118,693
	Microsoft Corp.	1,781,644	91,167
*	Facebook Inc. Class A	524,088	59,893
*	Alphabet Inc. Class A	66,572	46,835
*	Alphabet Inc. Class C	66,951	46,337
	Intel Corp.	1,070,289	35,105
	Cisco Systems Inc.	1,140,043	32,708
	Visa Inc. Class A	431,758	32,023
	International Business Machines Corp.	200,252	30,394
	Oracle Corp.	705,477	28,875
	MasterCard Inc. Class A	220,050	19,378
	QUALCOMM Inc.	332,963	17,837
	Accenture plc Class A	141,465	16,027
	Texas Instruments Inc.	227,669	14,263
	Broadcom Ltd.	84,124	13,073
	EMC Corp.	442,754	12,030
*	salesforce.com Inc.	144,420	11,468
*	Adobe Systems Inc.	113,379	10,861
	Automatic Data Processing Inc.	103,333	9,493
*	PayPal Holdings Inc.	250,274	9,137
*	Cognizant Technology Solutions Corp. Class A	137,344	7,862
*	Yahoo! Inc.	198,079	7,440
	Hewlett Packard Enterprise Co.	376,640	6,881
	Intuit Inc.	57,859	6,458
	Applied Materials Inc.	246,904	5,918
*	eBay Inc.	239,574	5,608
*	Fiserv Inc.	50,230	5,461
	NVIDIA Corp.	114,606	5,388
*	Electronic Arts Inc.	68,460	5,186
	Corning Inc.	243,888	4,995
	HP Inc.	387,540	4,864
	TE Connectivity Ltd.	81,179	4,636
	Fidelity National Information Services Inc.	62,674	4,618
	Activision Blizzard Inc.	115,081	4,561
	Paychex Inc.	72,699	4,326
	Amphenol Corp. Class A	69,800	4,002
	Analog Devices Inc.	69,603	3,942
*	Micron Technology Inc.	234,499	3,227
	Lam Research Corp.	36,125	3,037
	Western Digital Corp.	63,798	3,015
*	Red Hat Inc.	41,168	2,989
	Symantec Corp.	138,352	2,842
*	Citrix Systems Inc.	35,096	2,811
*	Autodesk Inc.	50,571	2,738
	Skyworks Solutions Inc.	43,087	2,727
	Xilinx Inc.	57,476	2,651
*	Alliance Data Systems Corp.	13,269	2,600
	KLA-Tencor Corp.	35,393	2,592
	Linear Technology Corp.	53,997	2,512
	Global Payments Inc.	34,905	2,491
	Microchip Technology Inc.	48,607	2,467
	Motorola Solutions Inc.	35,863	2,366
	Harris Corp.	28,059	2,341
*	Akamai Technologies Inc.	39,652	2,218
	CA Inc.	67,247	2,208
	Western Union Co.	112,099	2,150
	Xerox Corp.	215,017	2,040
	Total System Services Inc.	37,948	2,015
*	VeriSign Inc.	21,950	1,898
	Juniper Networks Inc.	80,271	1,805
*	F5 Networks Inc.	15,106	1,720
	Seagate Technology plc	67,750	1,650
	NetApp Inc.	64,773	1,593
*	Qorvo Inc.	28,749	1,589
	FLIR Systems Inc.	30,963	958
*	First Solar Inc.	17,525	850
*	Teradata Corp.	29,208	732
	CSRA Inc.	31,114	729
			815,304
	Materials (2.9%)		
	EI du Pont de Nemours & Co.	198,012	12,831
	Dow Chemical Co.	254,548	12,654
	Monsanto Co.	99,080	10,246
	Praxair Inc.	64,734	7,275
	Ecolab Inc.	59,875	7,101
	PPG Industries Inc.	60,346	6,285
	Air Products & Chemicals Inc.	44,135	6,269
	LyondellBasell Industries NV Class A	77,596	5,775
	Sherwin-Williams Co.	17,823	5,234
	Newmont Mining Corp.	119,881	4,690
	International Paper Co.	93,306	3,954
	Vulcan Materials Co.	30,277	3,644
	Nucor Corp.	71,860	3,551
	Freeport-McMoRan Inc.	283,190	3,155
	Ball Corp.	39,372	2,846
	Alcoa Inc.	298,079	2,763
	Martin Marietta Materials Inc.	14,324	2,750
	Eastman Chemical Co.	33,706	2,289
	International Flavors & Fragrances Inc.	18,042	2,275
	WestRock Co.	57,640	2,240
	Mosaic Co.	79,143	2,072
	Sealed Air Corp.	44,596	2,050
	Albemarle Corp.	25,440	2,018
	Avery Dennison Corp.	20,128	1,505
	FMC Corp.	30,194	1,398
	CF Industries Holdings Inc.	52,365	1,262
*	Owens-Illinois Inc.	35,769	644
			118,776
	Telecommunication Services (2.9%)		
	AT&T Inc.	1,395,326	60,292
	Verizon Communications Inc.	923,908	51,591
	CenturyLink Inc.	123,774	3,591
*	Level 3 Communications Inc.	65,565	3,376
	Frontier Communications Corp.	265,702	1,312
			120,162
	Utilities (3.7%)		
	NextEra Energy Inc.	104,589	13,638
	Duke Energy Corp.	156,212	13,401
	Southern Co.	212,792	11,412
	Dominion Resources Inc.	139,668	10,884
	American Electric Power Co. Inc.	111,363	7,805
	Exelon Corp.	209,023	7,600
	PG&E Corp.	112,525	7,193
	Sempra Energy	53,811	6,136
	PPL Corp.	153,469	5,793
	Edison International	73,613	5,718
	Consolidated Edison Inc.	69,067	5,556
	Public Service Enterprise Group Inc.	114,287	5,327
	Xcel Energy Inc.	114,740	5,138
	WEC Energy Group Inc.	71,302	4,656
	Eversource Energy	71,634	4,291
	DTE Energy Co.	40,748	4,039
	American Water Works Co. Inc.	40,185	3,396
	FirstEnergy Corp.	96,002	3,351
	Entergy Corp.	40,393	3,286
	Ameren Corp.	55,011	2,948
	CMS Energy Corp.	63,060	2,892
	SCANA Corp.	32,351	2,448
	CenterPoint Energy Inc.	97,289	2,335
	Pinnacle West Capital Corp.	25,157	2,039
	NiSource Inc.	72,651	1,927
	AES Corp.	149,070	1,860
	AGL Resources Inc.	27,304	1,801
	Alliant Energy Corp.	43,221	1,716
	TECO Energy Inc.	52,849	1,461
	NRG Energy Inc.	71,474	1,071
			151,118
	Total Common Stocks (Cost $3,153,740)		**4,127,671**

	Shares	Market Value• ($000)
Temporary Cash Investments (0.9%)1		
Money Market Fund (0.9%)		
2,3 Vanguard Market Liquidity Fund, 0.538%	36,780,094	36,780
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
4 Federal Home Loan Bank Discount Notes, 0.486%–0.496%, 8/24/16	300	300
4,5 Federal Home Loan Bank Discount Notes, 0.511%, 9/2/16	1,000	999
		1,299
Total Temporary Cash Investments (Cost $38,079)		**38,079**
Total Investments (100.6%) (Cost $3,191,819)		**4,165,750**

	Amount ($000)
Other Assets and Liabilities (-0.6%)	
Other Assets	
Investment in Vanguard	337
Receivables for Accrued Income	4,653
Receivables for Capital Shares Issued	3,405
Other Assets	179
Total Other Assets	**8,574**
Liabilities	
Payables for Investment Securities Purchased	(26,885)
Collateral for Securities on Loan	(336)
Payables for Capital Shares Redeemed	(1,979)
Payables to Vanguard	(3,150)
Other Liabilities	(472)
Total Liabilities	**(32,822)**
Net Assets (100%)	
Applicable to 125,248,609 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**4,141,502**
Net Asset Value Per Share	**$33.07**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	3,093,535
Undistributed Net Investment Income	37,433
Accumulated Net Realized Gains	36,377
Unrealized Appreciation (Depreciation)	
Investment Securities	973,931
Futures Contracts	226
Net Assets	**4,141,502**

• See Note A in Notes to Financial Statements.
* Non-income-producing security.
^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $329,000.
1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.1% and 0.5%, respectively, of net assets.
2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
3 Includes $336,000 of collateral received for securities on loan.
4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.
5 Securities with a value of $700,000 have been segregated as initial margin for open futures contracts.
See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	44,004
Interest[1]	36
Securities Lending	52
Total Income	44,092
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	381
Management and Administrative	2,108
Marketing and Distribution	392
Custodian Fees	34
Shareholders' Reports	28
Trustees' Fees and Expenses	1
Total Expenses	2,944
Net Investment Income	**41,148**
Realized Net Gain (Loss)	
Investment Securities Sold	34,605
Futures Contracts	1,922
Realized Net Gain (Loss)	**36,527**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	74,011
Futures Contracts	214
Change in Unrealized Appreciation (Depreciation)	**74,225**
Net Increase (Decrease) in Net Assets Resulting from Operations	**151,900**

1 Interest income from an affiliated company of the portfolio was $33,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	41,148	91,367
Realized Net Gain (Loss)	36,527	74,917
Change in Unrealized Appreciation (Depreciation)	74,225	(119,916)
Net Increase (Decrease) in Net Assets Resulting from Operations	151,900	46,368
Distributions		
Net Investment Income	(91,047)	(63,303)
Realized Capital Gain[1]	(74,373)	(115,925)
Total Distributions	(165,420)	(179,228)
Capital Share Transactions		
Issued	238,397	608,805
Issued in Lieu of Cash Distributions	165,420	179,228
Redeemed	(233,612)	(454,226)
Net Increase (Decrease) from Capital Share Transactions	170,205	333,807
Total Increase (Decrease)	156,685	200,947
Net Assets		
Beginning of Period	**3,984,817**	**3,783,870**
End of Period[2]	**4,141,502**	**3,984,817**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $600,000 and $2,114,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $37,433,000 and $87,332,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$33.25	$34.44	$31.50	$24.93	$22.85	$23.51
Investment Operations						
Net Investment Income	.329	.759[1]	.587	.545	.512	.466
Net Realized and Unrealized Gain (Loss) on Investments	.870	(.338)	3.522	7.235	3.062	.034
Total from Investment Operations	1.199	.421	4.109	7.780	3.574	.500
Distributions						
Dividends from Net Investment Income	(.759)	(.569)	(.555)	(.505)	(.474)	(.390)
Distributions from Realized Capital Gains	(.620)	(1.042)	(.614)	(.705)	(1.020)	(.770)
Total Distributions	(1.379)	(1.611)	(1.169)	(1.210)	(1.494)	(1.160)
Net Asset Value, End of Period	$33.07	$33.25	$34.44	$31.50	$24.93	$22.85
Total Return	3.78%	1.27%	13.51%	32.18%	15.86%	1.93%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$4,142	$3,985	$3,784	$3,199	$2,418	$2,132
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%
Ratio of Net Investment Income to Average Net Assets	2.10%	2.31%[1]	1.88%	1.96%	2.13%	1.92%
Portfolio Turnover Rate	5%	4%	7%	8%	9%	8%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Net investment income per share and the ratio of net investment income to average net assets include $.13 and 0.35%, respectively, resulting from a special dividend from Medtronic plc in January 2015.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The portfolio may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a

counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $337,000, representing 0.01% of the portfolio's net assets and 0.13% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	4,127,671	—	—
Temporary Cash Investments	36,780	1,299	—
Futures Contracts—Assets[1]	179	—	—
Total	4,164,630	1,299	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

			($000)	
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini S&P 500 Index	September 2016	178	18,603	226

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $3,191,819,000. Net unrealized appreciation of investment securities for tax purposes was $973,931,000 consisting of unrealized gains of $1,234,677,000 on securities that had risen in value since their purchase and $260,746,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2016, the portfolio purchased $138,501,000 of investment securities and sold $97,867,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	7,470	18,193
Issued in Lieu of Cash Distributions	5,208	5,441
Redeemed	(7,268)	(13,658)
Net Increase (Decrease) in Shares Outstanding	5,410	9,976

At June 30, 2016, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Vanguard Total Stock Market Index Portfolio), were each the record or beneficial owner of 35% or more of the portfolio's net assets, with a combined ownership of 70%. If one of these shareholders were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

• **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

• **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Equity Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,037.77	$0.76
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.12	0.75

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.15%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Equity Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Kathleen C. Gubanich	Thomas M. Rampulla
Martha G. King	Glenn W. Reed
John T. Marcante	Karin A. Risi
Chris D. McIsaac	Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.
2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Vanguard®

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Vanguard Marketing Corporation, Distributor.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Balanced Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Balanced Portfolio

Advisor's Report

Vanguard Balanced Portfolio returned 4.99% for the six months ended June 30, 2016. The fund outperformed the 4.87% return of its blended benchmark (a mix of 65% large-capitalization stocks and 35% high-quality corporate bonds) and the 2.30% average return of peer funds. Both the stock and bond portions of the portfolio outperformed their respective benchmarks, the Standard & Poor's 500 Index (+3.84%) and the Barclays U.S. Credit A or Better Bond Index (+6.59%).

Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The investment environment

Stock markets in the United States and abroad posted mixed returns for the period. The MSCI World Index returned about 1%, and the MSCI EAFE Index returned about –4%.

Data releases continued to paint a promising picture for the U.S. economy, including an upward revision to first-quarter gross domestic product (GDP), a multiyear low in the unemployment rate, and healthy housing market trends. As widely expected, the Federal Reserve last December instituted its first rate hike since 2006. Large-cap value stocks generally outperformed large-cap growth stocks, as measured by the Russell 1000 Value and Russell 1000 Growth Indexes.

High-quality and government-backed assets have performed strongly, reflecting a global risk-off sentiment amid market uncertainty and volatility. U.S. monetary policy and growth have increasingly diverged from those in other parts of the world. Many central banks stand ready to further ease policy, with some resorting to radical measures to counter falling inflation and stimulate growth.

Concerns over the United Kingdom's vote to leave the European Union have created a great deal of uncertainty in both the long and short term.

Our successes

The fixed income portfolio's outperformance was led by strong issuer selection in investment-grade credit. Selection in industrials aided relative results most. An out-of-benchmark allocation to asset-backed securities also helped.

Strong selection in the health care, industrials, and consumer discretionary sectors as well as an underweight allocation to information technology drove outperformance within the equity portfolio. Positions in Verizon, Comcast, and Chevron contributed most to absolute returns; an allocation to NextEra Energy contributed most to relative results.

Verizon performed well after the release of better-than-expected earnings results, supported by growth in wireless and FiOS. Our investment thesis is based on the company's dominant competitive position, customer loyalty, strong 4G service, marketing ability, and long-term growth in mobile and tablet data usage.

Comcast remains the market leader in innovation across its various businesses as management embraces new technologies and seeks ways to improve the customer experience with improved mobility of content. Management has focused on spreading capital across the business where they see strong return on investment and long-term benefit for the investor.

Chevron has maintained a strong balance sheet and solid cash flow generation, making it a strong candidate for dividend growth.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Balanced Portfolio	4.99%
Composite Stock/Bond Index[1]	4.87
Variable Insurance Mixed-Asset Target Growth Funds Average[2]	2.30

Expense Ratios[3]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Mixed-Asset Target Growth Funds Average
Balanced Portfolio	0.23%	0.60%

1 Weighted 65% S&P 500 Index and 35% Barclays U.S. Credit A or Better Bond Index.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
3 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Balanced Portfolio's annualized expense ratio was 0.23%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Our shortfalls

In the equity portfolio, an overweight allocation coupled with weak selection in the financial sector hurt relative results most. Selection in consumer staples and information technology also detracted from relative returns.

Wells Fargo, Bank of America, and Mitsubishi UFJ Financial Group (MUFG) hurt absolute results most. Our lack of exposure to strong benchmark performer AT&T was a relative detractor.

In financials, Wells Fargo, the stock portfolio's largest holding as of the end of the period, declined based on worries about the sector broadly, especially about banks with loans to energy-related businesses. Japan-based MUFG lagged because of margin pressure from negative interest rates. Financial companies are viewed as highly rate-sensitive, and investors became increasingly concerned that rates would not rise quickly enough to support near-term profitability. A weak trading environment also weighed on Wells Fargo and other bank stocks.

In fixed income, duration and yield curve positioning detracted most from relative performance. An underweight allocation to basic industry issuers also hurt.

Portfolio positioning

Late in the half year, the "Brexit" referendum outcome and ensuing market volatility led to a modest change in our outlook. We had been looking for a U.S. GDP growth rate of 1.5%–2%, but we now expect closer to 1%–1.5%, and the possibility of a recession (though not likely) has come back into view.

We are more cautious, particularly about financials, because normalizing rates will take still longer to happen. In the equity portfolio, we are unlikely to further overweight financials until we have more clarity on the rate outlook, despite record low valuations. Because the Fed has been so transparent about its criteria for raising rates, it will need all the requisite data points to move forward with tightening. Its decision, though, is highly dependent on global markets and is now likely to be driven more by developments outside the United States than by domestic trends. The negative interest rates and high leverage levels of central banks globally are uncharted territory, and have created something of a negative feedback loop for U.S. rates.

Our investment thesis for financial stocks remains that they have highly attractive valuations combined with strong balance sheets, and that potential exists for a decline in regulatory pressures. Based on these characteristics, financials compare well with safety stocks at extended valuations. Coming into the half year, we believed that bank stocks would behave defensively because they had less credit exposure and high capital ratios. But with continued negative interest rates, U.S. banks are unlikely to benefit from Fed rate increases this year. The lower-for-longer rate environment could delay the earnings improvements that we would expect and could affect the timing of financial stocks' revival.

We are now looking in other market segments for companies with solid cash flow, safe dividend yields, and reasonable valuations, including Boeing and others in the defense industry. Businesses such as defense that are seen as cyclical, but that have stable earnings, are attractively valued because of the association with cyclicality. This example of our capital cycle framework illustrates how we aim to add value by investing in companies in industries that are waiting for a recovery to begin.

We are overweighted in health care stocks, favoring large-cap pharmaceutical companies, including Merck and AstraZeneca. We believe that their solid pipelines are underappreciated by investors and should suffice for a return to modest growth.

The equity portfolio remains underweighted in information technology—most significantly in Apple—and consumer discretionary.

On the fixed income side, we are cautiously positive about the U.S. credit markets. The economic and credit cycles look to be tiring, but the powerful flood of global capital into our bond market—and credit in particular—shows no sign of abating. Low and negative yields in other major economic zones are still driving capital flows toward the higher yields and safety of the U.S. markets.

Although our credit selections will remain thematic and well-researched, we expect investment-grade corporate bond returns to be attractive and will maintain our overall exposure to them. We cannot recall a period when global forces were as important to the U.S. economy and policies as they are today. Therefore, we are mindful of global events even though our focus is on the U.S. bond market.

We anticipate ongoing volatility and expect that macroeconomic factors, more than fundamentals, may continue to drive the market for the near future as key questions about elections and monetary policy are resolved. In this context, we are focused on identifying solid company-specific investment catalysts and mispriced individual securities, rather than investing based on broad themes. We remain disciplined in applying our investment process, which enables us to create a balanced portfolio that we believe should perform well in various environments.

Edward P. Bousa, CFA,
Senior Managing Director and
Equity Portfolio Manager

John C. Keogh,
Senior Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

July 20, 2016

Portfolio Profile

As of June 30, 2016

Total Portfolio Characteristics

Yield[1]	2.5%
Turnover Rate[2]	37%
Expense Ratio[3]	0.23%
Short-Term Reserves	1.0%

Total Portfolio Volatility Measures[4]

	Portfolio Versus Composite Index[5]	Portfolio Versus Broad Index[6]
R-Squared	0.98	0.95
Beta	0.99	0.64

Equity Characteristics

	Portfolio	Comparative Index[7]	Broad Index[6]
Number of Stocks	93	505	3,863
Median Market Cap	$95.1B	$78.7B	$53.0B
Price/Earnings Ratio	17.9x	20.7x	22.0x
Price/Book Ratio	2.2x	2.8x	2.7x
Dividend Yield	2.8%	2.2%	2.1%
Return on Equity	16.7%	17.3%	16.5%
Earnings Growth Rate	4.1%	7.0%	7.3%
Foreign Holdings	7.8%	0.0%	0.0%

Fixed Income Characteristics

	Portfolio	Comparative Index[8]	Broad Index[9]
Number of Bonds	747	3,369	9,796
Yield to Maturity	2.4%[10]	2.3%	1.9%
Average Coupon	3.6%	3.6%	3.1%
Average Effective Maturity	10.2 years	10.0 years	7.7 years
Average Duration	7.1 years	7.1 years	5.5 years

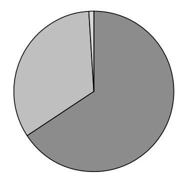
Ten Largest Stocks[11] (% of equity portfolio)

Wells Fargo & Co.	Diversified Banks	3.2%
Merck & Co. Inc.	Pharmaceuticals	3.2
Microsoft Corp.	Systems Software	3.0
Comcast Corp.	Cable & Satellite	3.0
Verizon Communications Inc.	Integrated Telecommunication Services	2.7
Chevron Corp.	Integrated Oil & Gas	2.6
Alphabet Inc.	Internet Software & Services	2.4
JPMorgan Chase & Co.	Diversified Banks	2.4
Chubb Ltd.	Property & Casualty Insurance	2.3
Intel Corp.	Semiconductors	2.3
Top Ten Total		27.1%
Top Ten as % of Total Net Assets		17.7%

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[7]	Broad Index[6]
Consumer Discretionary	7.4%	12.3%	12.9%
Consumer Staples	9.1	10.6	9.3
Energy	10.6	7.4	6.7
Financials	22.1	15.7	17.5
Health Care	18.0	14.7	14.2
Industrials	11.1	10.2	10.6
Information Technology	12.7	19.8	19.2
Materials	2.0	2.8	3.3
Telecommunication Services	2.7	2.9	2.6
Utilities	4.3	3.6	3.7

Portfolio Asset Allocation



65.7%	Stocks
33.3%	Bonds
1.0%	Short-Term Reserves

1 30-day SEC yield for the portfolio. See definition on the next page.
2 Annualized.
3 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.23%.
4 For an explanation of R-squared, beta, and other terms used here, see definitions on the next page.
5 Composite Stock/Bond Index, weighted 65% S&P 500 Index and 35% Barclays Capital U.S. Credit A or Better Bond Index.
6 Dow Jones U.S. Total Stock Market Float Adjusted Index.
7 S&P 500 Index.
8 Barclays U.S. Credit A or Better Bond Index.
9 Barclays U.S. Aggregate Bond Index.
10 Before expenses.
11 The holdings listed exclude any temporary cash investments and equity index products.

Distribution by Credit Quality[1]
(% of fixed income portfolio)

U.S. Government	17.8%
Aaa	4.2
Aa	14.0
A	45.2
Baa	18.8

Sector Diversification[2]
(% of fixed income portfolio)

Asset-Backed/Commercial Mortgage-Backed	4.0%
Finance	26.6
Foreign	3.9
Government Mortgage-Backed	1.3
Industrial	35.5
Treasury/Agency	16.1
Utilities	7.3
Other	5.3

Equity Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

Fixed Income Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/ Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

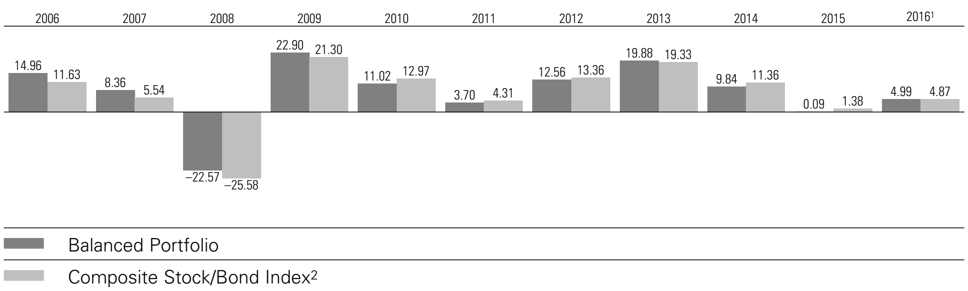
1 Source: Moody's Investors Service.

2 The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Balanced Portfolio	5/23/1991	4.75%	8.96%	7.44%

1 Six months ended June 30, 2016.
2 Weighted 65% S&P 500 Index and 35% Barclays U.S. Credit A or Better Bond Index.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

		Shares	Market Value• ($000)
	Common Stocks (65.3%)		
	Consumer Discretionary (4.8%)		
	Comcast Corp. Class A	712,049	46,418
	Ford Motor Co.	1,392,500	17,504
	Twenty-First Century Fox Inc. Class A	616,514	16,677
	Lowe's Cos. Inc.	164,310	13,008
	Hilton Worldwide Holdings Inc.	524,366	11,814
	L Brands Inc.	87,990	5,907
	Bayerische Motoren Werke AG	59,679	4,374
			115,702
	Consumer Staples (5.9%)		
	CVS Health Corp.	272,470	26,086
	Coca-Cola Co.	389,370	17,650
	PepsiCo Inc.	152,900	16,198
	Philip Morris International Inc.	155,960	15,864
	Mondelez International Inc. Class A	322,810	14,691
	Colgate-Palmolive Co.	193,880	14,192
	Diageo plc	494,385	13,834
	Walgreens Boots Alliance Inc.	149,660	12,462
	Costco Wholesale Corp.	59,180	9,294
	Diageo plc ADR	22,480	2,538
			142,809
	Energy (6.9%)		
	Chevron Corp.	387,600	40,632
	Exxon Mobil Corp.	317,487	29,761
	TOTAL SA	431,906	20,827
	Royal Dutch Shell plc Class B	610,644	16,792
	Anadarko Petroleum Corp.	249,890	13,307
	EOG Resources Inc.	134,801	11,245
	Hess Corp.	164,480	9,885
	Schlumberger Ltd.	93,204	7,371
	Marathon Petroleum Corp.	176,153	6,687
	Suncor Energy Inc.	225,500	6,256
	Valero Energy Corp.	74,810	3,815
			166,578
	Financials (14.5%)		
	Wells Fargo & Co.	1,076,810	50,965
	JPMorgan Chase & Co.	603,628	37,509
	Chubb Ltd.	278,980	36,466
	Prudential Financial Inc.	351,410	25,070
	PNC Financial Services Group Inc.	270,000	21,975
	BlackRock Inc.	62,700	21,477
	Bank of America Corp.	1,566,667	20,790
	Marsh & McLennan Cos. Inc.	267,350	18,303
	Northern Trust Corp.	190,750	12,639
	American Tower Corporation	100,482	11,416
^	Bank of Nova Scotia	220,860	10,824
	Mitsubishi UFJ Financial Group Inc.	2,379,030	10,604
	US Bancorp	238,160	9,605
	MetLife Inc.	228,583	9,104
	Goldman Sachs Group Inc.	57,380	8,526
	Hartford Financial Services Group Inc.	177,010	7,856
	Intercontinental Exchange Inc.	29,920	7,658
*	Synchrony Financial	283,990	7,179
	BNP Paribas SA	140,068	6,297
	American International Group Inc.	74,700	3,951
	UBS Group AG	266,833	3,458
	American Express Co.	48,961	2,975
	AvalonBay Communities Inc.	15,480	2,792
			347,439
	Health Care (11.8%)		
	Merck & Co. Inc.	870,479	50,148
	Bristol-Myers Squibb Co.	463,470	34,088
	Johnson & Johnson	248,170	30,103
	Medtronic plc	337,690	29,301
	Pfizer Inc.	704,473	24,805
^	AstraZeneca plc ADR	819,298	24,735
	UnitedHealth Group Inc.	139,665	19,721
	Cardinal Health Inc.	221,990	17,317
	Eli Lilly & Co.	179,265	14,117
	Novartis AG	168,067	13,826
	Roche Holding AG	33,296	8,791
*	Celgene Corp.	84,630	8,347
	Baxter International Inc.	158,880	7,185
			282,484
	Industrials (7.3%)		
	United Parcel Service Inc. Class B	268,248	28,896
	Honeywell International Inc.	182,584	21,238
	Lockheed Martin Corp.	77,750	19,295
	CSX Corp.	658,982	17,186
	Siemens AG	136,245	13,957
	Caterpillar Inc.	168,771	12,794
	FedEx Corp.	84,080	12,762
	Eaton Corp. plc	200,010	11,947
	Canadian National Railway Co.	164,278	9,702
	Boeing Co.	70,870	9,204
	Schneider Electric SE	149,916	8,872
	ABB Ltd. ADR	294,998	5,850
	Raytheon Co.	23,443	3,187
			174,890
	Information Technology (8.3%)		
	Microsoft Corp.	932,664	47,725
*	Alphabet Inc. Class A	53,480	37,625
	Intel Corp.	1,093,360	35,862
	Accenture plc Class A	212,890	24,118
	Cisco Systems Inc.	801,876	23,006
	Apple Inc.	219,112	20,947
	Texas Instruments Inc.	154,620	9,687
			198,970
	Materials (1.3%)		
	International Paper Co.	299,610	12,697
	Dow Chemical Co.	181,910	9,043
	BHP Billiton plc	502,241	6,318
	Monsanto Co.	32,700	3,381
			31,439
	Telecommunication Services (1.7%)		
	Verizon Communications Inc.	750,180	41,890
	Utilities (2.8%)		
	NextEra Energy Inc.	218,150	28,447
	Dominion Resources Inc.	263,160	20,508
	Exelon Corp.	400,160	14,550
	Duke Energy Corp.	38,656	3,316
			66,821
	Total Common Stocks (Cost $1,218,415)		1,569,022

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (5.9%)				
U.S. Government Securities (5.3%)				
United States Treasury Note/Bond	0.625%	7/31/17	8,000	8,009
United States Treasury Note/Bond	1.000%	9/15/17	15,000	15,080
United States Treasury Note/Bond	0.750%	10/31/17	9,200	9,223
United States Treasury Note/Bond	0.875%	3/31/18	750	754
United States Treasury Note/Bond	0.750%	4/30/18	1,500	1,504
United States Treasury Note/Bond	1.000%	5/31/18	5,500	5,543
United States Treasury Note/Bond	1.375%	9/30/18	19,000	19,318
United States Treasury Note/Bond	1.750%	9/30/19	13,000	13,406
United States Treasury Note/Bond	1.375%	2/29/20	2,130	2,170
United States Treasury Note/Bond	1.625%	6/30/20	2,840	2,921
United States Treasury Note/Bond	1.250%	3/31/21	3,000	3,036
United States Treasury Note/Bond	2.000%	2/15/25	11,180	11,700
United States Treasury Note/Bond	2.000%	8/15/25	7,095	7,420
United States Treasury Note/Bond	2.250%	11/15/25	180	192
United States Treasury Note/Bond	1.625%	2/15/26	1,000	1,012
United States Treasury Note/Bond	2.875%	5/15/43	6,738	7,580
United States Treasury Note/Bond	3.375%	5/15/44	4,410	5,439
United States Treasury Note/Bond	3.125%	8/15/44	1,740	2,050
United States Treasury Note/Bond	2.500%	2/15/45	6,210	6,471
United States Treasury Note/Bond	2.875%	8/15/45	1,910	2,145
United States Treasury Note/Bond	2.500%	2/15/46	2,600	2,710
				127,683
Conventional Mortgage-Backed Securities (0.4%)				
†,1,2 Fannie Mae Pool	4.500%	11/1/33–7/1/46	7,784	8,552
1,2 Freddie Mac Gold Pool	4.000%	9/1/24–9/1/41	9	9
†,1,2 Freddie Mac Gold Pool	4.500%	3/1/29–7/1/46	1,515	1,669
1 Ginnie Mae I Pool	7.000%	11/15/31–11/15/33	130	151
1 Ginnie Mae I Pool	8.000%	9/15/30	64	66
				10,447
Nonconventional Mortgage-Backed Securities (0.2%)				
1,2 Fannie Mae REMICS	3.500%	4/25/31	245	265
1,2 Fannie Mae REMICS	4.000%	9/25/29–5/25/31	470	514
1,2 Freddie Mac REMICS	3.500%	3/15/31	145	157
1,2 Freddie Mac REMICS	4.000%	12/15/30–4/15/31	2,726	3,024
				3,960
Total U.S. Government and Agency Obligations (Cost $135,791)				142,090
Asset-Backed/Commercial Mortgage-Backed Securities (1.2%)				
3 American Tower Trust I	1.551%	3/15/18	380	377
3 American Tower Trust I	3.070%	3/15/23	1,100	1,133
1,3,4 Apidos CDO	2.133%	4/17/26	1,295	1,291
1,3,4 ARES CLO Ltd.	2.153%	4/17/26	1,200	1,198
1,3,4 Atlas Senior Loan Fund Ltd.	2.168%	10/15/26	355	355
1,3,4 Atlas Senior Loan Fund V Ltd.	2.183%	7/16/26	305	304
1 Banc of America Commercial Mortgage Trust 2006-5	5.414%	9/10/47	223	223
1,3,4 Cent CLO	2.124%	7/27/26	420	416
1,3,4 Cent CLO 20 Ltd.	2.118%	1/25/26	1,300	1,291
1,3,4 Cent CLO 22 Ltd.	2.112%	11/7/26	935	926
1,3,4 CIFC Funding Ltd.	2.133%	4/18/25	1,185	1,184
1 COMM 2012-CCRE2 Mortgage Trust	3.147%	8/15/45	480	511
1,3,4 Dryden Senior Loan Fund	1.983%	4/18/26	1,165	1,158
1,3 First Investors Auto Owner Trust 2013-2	1.230%	3/15/19	33	33
1 Ford Credit Floorplan Master Owner Trust A Series 2012-2	1.920%	1/15/19	772	776
1,3 Hilton USA Trust 2013-HLT	2.662%	11/5/30	1,165	1,170
1,3,4 ING Investment Management Co.	2.133%	4/18/26	1,165	1,164
1,4 LB-UBS Commercial Mortgage Trust 2008-C1	6.248%	4/15/41	703	738
1,3,4 Limerock CLO	2.133%	4/18/26	1,300	1,290
1,3,4 Madison Park Funding XII Ltd.	2.083%	1/19/25	755	754
1,3,4 Madison Park Funding XIII Ltd.	2.134%	7/20/26	920	920
1,3 OneMain Financial Issuance Trust 2016-2	4.100%	3/20/28	770	794
1,3,4 OZLM VI Ltd.	2.183%	4/17/26	955	956
1 Santander Drive Auto Receivables Trust 2013-2	2.570%	3/15/19	515	518
1 Santander Drive Auto Receivables Trust 2014-2	2.330%	11/15/19	335	338
3 SBA Tower Trust	2.898%	10/15/19	1,205	1,221
1,3,4 Seneca Park CLO Ltd.	2.113%	7/17/26	680	679
1,3,4 SFAVE Commercial Mortgage Securities Trust 2015-5AVE	4.144%	1/5/43	700	686
1,3,4 Shackleton CLO Ltd.	2.113%	7/17/26	660	654
1,3 Springleaf Funding Trust	2.410%	12/15/22	782	783
1,3 Springleaf Funding Trust	3.160%	11/15/24	1,375	1,382
1,3 Springleaf Funding Trust 2015-B	3.480%	5/15/28	590	585
1,3 Springleaf Mortgage Loan Trust 2013-1A	2.310%	6/25/58	220	220
1,3,4 Symphony CLO XIV Ltd.	2.110%	7/14/26	1,125	1,122
1,3,4 Thacher Park CLO Ltd.	2.104%	10/20/26	505	503
1 Utility Debt Securitization Authority Series 2013T	3.435%	12/15/25	210	229
1,3 Westlake Automobile Receivables Trust	0.970%	10/16/17	19	19
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost $27,900)				27,901
Corporate Bonds (22.9%)				
Finance (8.8%)				
Banking (6.8%)				
American Express Centurion Bank	6.000%	9/13/17	500	528
American Express Co.	1.550%	5/22/18	1,635	1,644
American Express Credit Corp.	2.375%	3/24/17	1,920	1,940
American Express Credit Corp.	2.125%	7/27/18	1,235	1,256
American Express Credit Corp.	2.250%	8/15/19	800	817
Bank of America Corp.	6.000%	9/1/17	1,010	1,061
Bank of America Corp.	5.750%	12/1/17	500	529
Bank of America Corp.	6.875%	4/25/18	1,250	1,364
Bank of America Corp.	5.625%	7/1/20	85	96
Bank of America Corp.	5.875%	1/5/21	3,000	3,437
Bank of America Corp.	3.300%	1/11/23	120	123
Bank of America Corp.	4.100%	7/24/23	150	160
Bank of America Corp.	4.000%	4/1/24	340	363
Bank of America Corp.	4.000%	1/22/25	875	891
Bank of America Corp.	5.875%	2/7/42	260	328
Bank of America Corp.	5.000%	1/21/44	1,230	1,420
Bank of America Corp.	4.875%	4/1/44	870	992
Bank of America NA	5.300%	3/15/17	2,000	2,054
Bank of Montreal	1.300%	7/15/16	800	800
Bank of Montreal	2.500%	1/11/17	2,030	2,045
Bank of New York Mellon Corp.	2.150%	2/24/20	1,580	1,615
Bank of New York Mellon Corp.	3.000%	2/24/25	720	760
Bank of Nova Scotia	2.050%	10/30/18	1,600	1,626
Bank of Nova Scotia	2.800%	7/21/21	750	784
3 Bank of Tokyo-Mitsubishi UFJ Ltd.	1.700%	3/5/18	1,390	1,391
3 Banque Federative du Credit Mutuel SA	2.750%	10/15/20	1,200	1,241
3 Barclays Bank plc	6.050%	12/4/17	1,400	1,467
Barclays Bank plc	5.140%	10/14/20	160	170
BB&T Corp.	4.900%	6/30/17	1,000	1,034
Bear Stearns Cos. LLC	6.400%	10/2/17	235	250
Bear Stearns Cos. LLC	7.250%	2/1/18	425	463
BNP Paribas SA	2.400%	12/12/18	1,300	1,326
BNP Paribas SA	3.250%	3/3/23	305	317
BPCE SA	2.500%	12/10/18	220	224

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	BPCE SA	2.500%	7/15/19	1,400	1,431
	BPCE SA	4.000%	4/15/24	775	849
3	BPCE SA	5.150%	7/21/24	1,260	1,320
	Capital One Bank USA NA	2.150%	11/21/18	1,215	1,227
	Capital One Financial Corp.	4.750%	7/15/21	400	445
	Capital One Financial Corp.	3.750%	4/24/24	1,305	1,362
	Capital One Financial Corp.	3.200%	2/5/25	1,050	1,061
	Capital One Financial Corp.	4.200%	10/29/25	310	317
	Citigroup Inc.	1.750%	5/1/18	500	502
	Citigroup Inc.	2.500%	9/26/18	500	510
	Citigroup Inc.	2.550%	4/8/19	1,800	1,837
	Citigroup Inc.	2.500%	7/29/19	965	983
	Citigroup Inc.	2.400%	2/18/20	800	808
	Citigroup Inc.	4.500%	1/14/22	1,975	2,184
	Citigroup Inc.	6.625%	6/15/32	2,000	2,448
	Citigroup Inc.	8.125%	7/15/39	101	158
	Citigroup Inc.	5.300%	5/6/44	270	292
	Compass Bank	2.750%	9/29/19	375	371
	Cooperatieve Rabobank UA	2.250%	1/14/19	1,350	1,376
3	Credit Agricole SA	2.500%	4/15/19	1,460	1,494
	Credit Suisse	1.750%	1/29/18	840	841
	Credit Suisse	2.300%	5/28/19	2,845	2,883
	Credit Suisse	3.000%	10/29/21	735	752
	Credit Suisse	3.625%	9/9/24	250	258
	Credit Suisse Group Funding Guernsey Ltd.	3.800%	9/15/22	1,335	1,343
	Credit Suisse Group Funding Guernsey Ltd.	3.750%	3/26/25	1,595	1,565
	Deutsche Bank AG	2.500%	2/13/19	465	466
	Fifth Third Bank	2.875%	10/1/21	425	440
	Fifth Third Bank	3.850%	3/15/26	830	870
	Goldman Sachs Group Inc.	5.950%	1/18/18	1,325	1,415
	Goldman Sachs Group Inc.	2.375%	1/22/18	555	563
	Goldman Sachs Group Inc.	5.375%	3/15/20	405	451
	Goldman Sachs Group Inc.	2.600%	4/23/20	170	173
	Goldman Sachs Group Inc.	6.000%	6/15/20	3,350	3,819
	Goldman Sachs Group Inc.	5.250%	7/27/21	865	975
	Goldman Sachs Group Inc.	5.750%	1/24/22	360	417
	Goldman Sachs Group Inc.	3.625%	1/22/23	1,205	1,264
	Goldman Sachs Group Inc.	6.450%	5/1/36	2,000	2,358
	Goldman Sachs Group Inc.	6.750%	10/1/37	1,360	1,679
	Goldman Sachs Group Inc.	4.750%	10/21/45	680	750
3	HSBC Bank plc	4.750%	1/19/21	1,700	1,877
	HSBC Holdings plc	3.400%	3/8/21	1,535	1,581
	HSBC Holdings plc	4.000%	3/30/22	2,395	2,564
	HSBC Holdings plc	3.600%	5/23/23	1,600	1,635
	HSBC Holdings plc	6.500%	5/2/36	1,000	1,194
	HSBC Holdings plc	6.100%	1/14/42	375	481
	HSBC Holdings plc	5.250%	3/14/44	440	464
	HSBC USA Inc.	1.625%	1/16/18	1,005	1,002
	HSBC USA Inc.	2.350%	3/5/20	1,825	1,825
	HSBC USA Inc.	3.500%	6/23/24	800	824
	Huntington Bancshares Inc.	3.150%	3/14/21	800	831
	Huntington National Bank	2.200%	4/1/19	560	567
	Huntington National Bank	2.400%	4/1/20	1,160	1,178
3	ING Bank NV	3.750%	3/7/17	600	610
3	ING Bank NV	1.800%	3/16/18	1,340	1,346
	JPMorgan Chase & Co.	6.300%	4/23/19	465	523
	JPMorgan Chase & Co.	4.950%	3/25/20	650	719
	JPMorgan Chase & Co.	4.350%	8/15/21	4,862	5,348
	JPMorgan Chase & Co.	4.500%	1/24/22	495	549
	JPMorgan Chase & Co.	3.250%	9/23/22	970	1,013
	JPMorgan Chase & Co.	3.375%	5/1/23	875	890
	JPMorgan Chase & Co.	3.875%	2/1/24	800	865
	JPMorgan Chase & Co.	3.900%	7/15/25	370	398
	JPMorgan Chase & Co.	4.125%	12/15/26	765	807
	JPMorgan Chase & Co.	4.250%	10/1/27	1,895	1,994
	JPMorgan Chase & Co.	5.400%	1/6/42	750	930
	JPMorgan Chase & Co.	5.625%	8/16/43	400	470
	JPMorgan Chase & Co.	4.950%	6/1/45	400	440
3	Macquarie Bank Ltd.	2.400%	1/21/20	330	332
	Manufacturers & Traders Trust Co.	2.100%	2/6/20	495	502
	Manufacturers & Traders Trust Co.	2.900%	2/6/25	685	704
	Morgan Stanley	5.450%	1/9/17	1,000	1,023
	Morgan Stanley	1.875%	1/5/18	255	256
	Morgan Stanley	2.125%	4/25/18	1,375	1,387
	Morgan Stanley	2.500%	1/24/19	2,500	2,548
	Morgan Stanley	5.625%	9/23/19	645	715
	Morgan Stanley	5.750%	1/25/21	1,740	1,986
	Morgan Stanley	2.500%	4/21/21	1,175	1,185
	Morgan Stanley	3.700%	10/23/24	750	785
	Morgan Stanley	6.250%	8/9/26	3,000	3,767
	Morgan Stanley	4.300%	1/27/45	850	896
	National City Corp.	6.875%	5/15/19	1,000	1,131
3	Nationwide Building Society	2.350%	1/21/20	785	800
	Northern Trust Corp.	3.450%	11/4/20	255	273
	PNC Bank NA	4.875%	9/21/17	1,500	1,559
	PNC Bank NA	3.300%	10/30/24	460	490
	PNC Bank NA	2.950%	2/23/25	1,105	1,153
	PNC Bank NA	4.200%	11/1/25	255	289
	PNC Financial Services Group Inc.	3.900%	4/29/24	580	623
	Santander Bank NA	2.000%	1/12/18	715	714
	Santander Holdings USA Inc.	2.700%	5/24/19	800	803
	Santander Holdings USA Inc.	2.650%	4/17/20	580	575
	Santander Issuances SAU	5.179%	11/19/25	800	797
3	Skandinaviska Enskilda Banken AB	2.450%	5/27/20	1,600	1,640
	State Street Corp.	5.375%	4/30/17	2,775	2,879
	SunTrust Bank	3.300%	5/15/26	340	345
	Svenska Handelsbanken AB	2.875%	4/4/17	1,000	1,014
	Synchrony Financial	3.000%	8/15/19	1,055	1,075
	Synchrony Financial	2.700%	2/3/20	405	406
	UBS AG	1.800%	3/26/18	1,020	1,029
3	UBS Group Funding Jersey Ltd.	2.950%	9/24/20	1,160	1,185
	US Bancorp	3.700%	1/30/24	1,560	1,721
	Wachovia Corp.	7.500%	4/15/35	1,000	1,393
	Wells Fargo & Co.	5.625%	12/11/17	820	872
	Wells Fargo & Co.	2.150%	1/15/19	2,915	2,975
	Wells Fargo & Co.	3.000%	1/22/21	505	529
	Wells Fargo & Co.	3.500%	3/8/22	640	686
	Wells Fargo & Co.	3.450%	2/13/23	930	960
	Wells Fargo & Co.	4.480%	1/16/24	1,199	1,308
	Wells Fargo & Co.	3.000%	2/19/25	890	911
	Wells Fargo & Co.	3.550%	9/29/25	860	917
	Wells Fargo & Co.	3.000%	4/22/26	1,045	1,062
	Wells Fargo & Co.	5.606%	1/15/44	2,276	2,727
	Wells Fargo & Co.	4.900%	11/17/45	515	564
	Wells Fargo & Co.	4.400%	6/14/46	500	506
	Brokerage (0.0%)				
	Ameriprise Financial Inc.	5.300%	3/15/20	305	343
	Finance Companies (0.4%)				
3	GE Capital International Funding Co.	2.342%	11/15/20	1,192	1,232
3	GE Capital International Funding Co.	3.373%	11/15/25	3,460	3,775
3	GE Capital International Funding Co.	4.418%	11/15/35	4,635	5,193
	Insurance (1.4%)				
	Aetna Inc.	1.750%	5/15/17	60	60
	Aetna Inc.	3.950%	9/1/20	140	151
	Aetna Inc.	2.800%	6/15/23	550	561
	Aetna Inc.	3.200%	6/15/26	1,195	1,226
	Aetna Inc.	4.250%	6/15/36	760	786
1	Allstate Corp.	6.125%	5/15/67	1,000	880
	Anthem Inc.	2.300%	7/15/18	375	381
	Anthem Inc.	3.125%	5/15/22	1,610	1,665
	Anthem Inc.	3.300%	1/15/23	1,100	1,137
	Anthem Inc.	4.650%	8/15/44	276	295
	Berkshire Hathaway Inc.	2.750%	3/15/23	1,050	1,085

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Berkshire Hathaway Inc.	3.125%	3/15/26	715	750
	Chubb INA Holdings Inc.	5.800%	3/15/18	1,295	1,390
	Chubb INA Holdings Inc.	2.300%	11/3/20	170	175
	Chubb INA Holdings Inc.	3.350%	5/15/24	555	591
	Chubb INA Holdings Inc.	4.350%	11/3/45	800	917
	Cigna Corp.	3.250%	4/15/25	1,730	1,769
	CNA Financial Corp.	3.950%	5/15/24	135	143
3	Five Corners Funding Trust	4.419%	11/15/23	210	228
3	Liberty Mutual Group Inc.	4.250%	6/15/23	360	382
	Loews Corp.	2.625%	5/15/23	440	443
1,3	Massachusetts Mutual Life Insurance Co.	7.625%	11/15/23	2,000	2,484
	MetLife Inc.	1.903%	12/15/17	225	227
	MetLife Inc.	3.600%	4/10/24	580	612
	MetLife Inc.	4.125%	8/13/42	145	144
	MetLife Inc.	4.875%	11/13/43	530	583
3	Metropolitan Life Global Funding I	1.500%	1/10/18	1,480	1,488
3	Metropolitan Life Global Funding I	1.875%	6/22/18	950	960
3	New York Life Global Funding	1.650%	5/15/17	600	604
3	New York Life Insurance Co.	5.875%	5/15/33	2,100	2,581
3	QBE Insurance Group Ltd.	2.400%	5/1/18	235	237
3	Teachers Insurance & Annuity Association of America	4.900%	9/15/44	375	418
	UnitedHealth Group Inc.	6.000%	6/15/17	500	524
	UnitedHealth Group Inc.	6.000%	2/15/18	700	755
	UnitedHealth Group Inc.	3.875%	10/15/20	601	656
	UnitedHealth Group Inc.	2.875%	3/15/22	27	28
	UnitedHealth Group Inc.	2.875%	3/15/23	1,175	1,219
	UnitedHealth Group Inc.	3.100%	3/15/26	430	451
	UnitedHealth Group Inc.	4.625%	7/15/35	815	946
	UnitedHealth Group Inc.	4.250%	3/15/43	1,600	1,742
	UnitedHealth Group Inc.	4.750%	7/15/45	760	916
	Other Finance (0.1%)				
3	LeasePlan Corp. NV	2.875%	1/22/19	970	971
	Real Estate Investment Trusts (0.1%)				
	AvalonBay Communities Inc.	3.625%	10/1/20	520	556
	Duke Realty LP	6.500%	1/15/18	210	225
	Realty Income Corp.	4.650%	8/1/23	640	704
3	WEA Finance LLC / Westfield UK & Europe Finance plc	1.750%	9/15/17	375	376
3	WEA Finance LLC / Westfield UK & Europe Finance plc	2.700%	9/17/19	1,330	1,357
					211,017
	Industrial (11.7%)				
	Basic Industry (0.1%)				
	BHP Billiton Finance USA Ltd.	3.850%	9/30/23	750	818
	CF Industries Inc.	5.375%	3/15/44	880	836
	LyondellBasell Industries NV	4.625%	2/26/55	650	636
	Monsanto Co.	4.700%	7/15/64	230	208
	Rio Tinto Finance USA plc	3.500%	3/22/22	325	341
	Capital Goods (1.1%)				
3	BAE Systems Holdings Inc.	2.850%	12/15/20	160	164
3	BAE Systems Holdings Inc.	3.850%	12/15/25	285	303
	Caterpillar Financial Services Corp.	2.625%	3/1/23	1,360	1,396
	Caterpillar Inc.	3.900%	5/27/21	1,170	1,292
	Caterpillar Inc.	2.600%	6/26/22	705	727
	Caterpillar Inc.	3.400%	5/15/24	810	871
	Caterpillar Inc.	4.300%	5/15/44	745	818
	General Dynamics Corp.	3.875%	7/15/21	355	391
	General Electric Capital Corp.	4.625%	1/7/21	321	364
	General Electric Capital Corp.	5.300%	2/11/21	228	264
	General Electric Capital Corp.	3.150%	9/7/22	967	1,038
	General Electric Capital Corp.	3.100%	1/9/23	360	384
	General Electric Capital Corp.	6.750%	3/15/32	135	189
	General Electric Capital Corp.	6.150%	8/7/37	633	876
	General Electric Capital Corp.	5.875%	1/14/38	443	601
	General Electric Capital Corp.	6.875%	1/10/39	187	282
	General Electric Co.	2.700%	10/9/22	210	219
	General Electric Co.	4.125%	10/9/42	320	352
	General Electric Co.	4.500%	3/11/44	1,050	1,218
	Honeywell International Inc.	4.250%	3/1/21	1,002	1,126
	Illinois Tool Works Inc.	3.500%	3/1/24	1,295	1,425
	John Deere Capital Corp.	2.250%	4/17/19	1,465	1,508
	John Deere Capital Corp.	1.700%	1/15/20	520	524
	Lockheed Martin Corp.	2.900%	3/1/25	610	632
	Lockheed Martin Corp.	4.500%	5/15/36	211	239
	Lockheed Martin Corp.	4.700%	5/15/46	520	610
	Parker-Hannifin Corp.	4.450%	11/21/44	450	532
3	Siemens Financieringsmaatschappij NV	5.750%	10/17/16	2,225	2,256
3	Siemens Financieringsmaatschappij NV	2.900%	5/27/22	800	848
3	Siemens Financieringsmaatschappij NV	4.400%	5/27/45	800	913
	United Technologies Corp.	3.100%	6/1/22	535	570
	United Technologies Corp.	7.500%	9/15/29	770	1,135
	United Technologies Corp.	6.050%	6/1/36	675	899
	United Technologies Corp.	4.500%	6/1/42	325	373
	Communication (1.9%)				
	21st Century Fox America Inc.	3.000%	9/15/22	245	256
	America Movil SAB de CV	3.125%	7/16/22	1,880	1,923
	America Movil SAB de CV	6.125%	3/30/40	530	642
	American Tower Corp.	3.450%	9/15/21	1,125	1,167
	AT&T Inc.	1.400%	12/1/17	1,090	1,091
	AT&T Inc.	5.600%	5/15/18	1,000	1,076
	AT&T Inc.	2.300%	3/11/19	295	301
	AT&T Inc.	5.200%	3/15/20	255	289
	AT&T Inc.	4.600%	2/15/21	100	110
	AT&T Inc.	6.450%	6/15/34	845	1,013
	AT&T Inc.	4.750%	5/15/46	645	663
	CBS Corp.	4.300%	2/15/21	675	734
	Comcast Corp.	3.600%	3/1/24	550	603
	Comcast Corp.	4.250%	1/15/33	1,032	1,139
	Comcast Corp.	4.200%	8/15/34	620	681
	Comcast Corp.	5.650%	6/15/35	110	141
	Comcast Corp.	4.400%	8/15/35	700	785
	Comcast Corp.	6.500%	11/15/35	115	158
	Comcast Corp.	6.400%	5/15/38	120	165
	Comcast Corp.	4.650%	7/15/42	1,290	1,481
	Comcast Corp.	4.500%	1/15/43	500	561
	Comcast Corp.	4.750%	3/1/44	525	613
	Comcast Corp.	4.600%	8/15/45	845	971
3	Cox Communications Inc.	4.800%	2/1/35	1,540	1,435
3	Deutsche Telekom International Finance BV	4.875%	3/6/42	705	823
	Discovery Communications LLC	5.625%	8/15/19	80	88
	Discovery Communications LLC	5.050%	6/1/20	420	459
	Grupo Televisa SAB	6.625%	1/15/40	630	712
	Grupo Televisa SAB	6.125%	1/31/46	410	444
3	GTP Acquisition Partners I LLC	2.350%	6/15/20	580	593
3	NBCUniversal Enterprise Inc.	1.974%	4/15/19	2,530	2,586
	NBCUniversal Media LLC	4.375%	4/1/21	600	669
	NBCUniversal Media LLC	2.875%	1/15/23	240	252
	Omnicom Group Inc.	3.600%	4/15/26	660	690
	Orange SA	4.125%	9/14/21	1,740	1,919
	Orange SA	9.000%	3/1/31	530	818
3	SBA Tower Trust	2.933%	12/15/17	840	841
3	Sky plc	2.625%	9/16/19	975	991
3	Sky plc	3.750%	9/16/24	1,435	1,492
	Time Warner Cable Inc.	5.850%	5/1/17	1,030	1,066
	Time Warner Cable Inc.	8.750%	2/14/19	25	29
	Time Warner Cable Inc.	8.250%	4/1/19	364	423
	Time Warner Entertainment Co. LP	8.375%	3/15/23	95	123
	Time Warner Inc.	4.875%	3/15/20	700	775
	Time Warner Inc.	4.750%	3/29/21	350	393
	Time Warner Inc.	6.500%	11/15/36	620	772
	Verizon Communications Inc.	4.500%	9/15/20	1,280	1,421

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Verizon Communications Inc.	3.500%	11/1/21	1,040	1,119
	Verizon Communications Inc.	6.400%	9/15/33	2,230	2,849
	Verizon Communications Inc.	5.850%	9/15/35	475	575
	Verizon Communications Inc.	6.900%	4/15/38	290	386
	Verizon Communications Inc.	4.750%	11/1/41	290	312
	Verizon Communications Inc.	6.550%	9/15/43	710	959
	Verizon Communications Inc.	4.862%	8/21/46	1,821	1,980
	Walt Disney Co.	4.125%	6/1/44	560	633
	Consumer Cyclical (1.5%)				
	Amazon.com Inc.	2.500%	11/29/22	885	916
	Amazon.com Inc.	4.800%	12/5/34	995	1,171
	Amazon.com Inc.	4.950%	12/5/44	580	708
3	American Honda Finance Corp.	1.500%	9/11/17	490	493
3	American Honda Finance Corp.	1.600%	2/16/18	810	818
	American Honda Finance Corp.	2.125%	10/10/18	1,110	1,139
	AutoZone Inc.	3.700%	4/15/22	1,371	1,461
	AutoZone Inc.	3.125%	7/15/23	600	621
3	BMW US Capital LLC	2.000%	4/11/21	585	589
3	BMW US Capital LLC	2.800%	4/11/26	271	278
	CVS Health Corp.	2.750%	12/1/22	965	997
	CVS Health Corp.	4.875%	7/20/35	565	670
	CVS Health Corp.	5.125%	7/20/45	1,310	1,624
3	Daimler Finance North America LLC	2.375%	8/1/18	900	919
3	Daimler Finance North America LLC	2.250%	7/31/19	1,575	1,612
	Daimler Finance North America LLC	8.500%	1/18/31	1,000	1,621
	Ford Motor Credit Co. LLC	2.375%	3/12/19	900	912
	Ford Motor Credit Co. LLC	3.157%	8/4/20	975	1,008
	Home Depot Inc.	2.250%	9/10/18	975	1,004
	Home Depot Inc.	2.700%	4/1/23	720	755
	Home Depot Inc.	4.400%	3/15/45	780	901
	Lowe's Cos. Inc.	6.875%	2/15/28	710	979
	Lowe's Cos. Inc.	6.500%	3/15/29	1,000	1,366
	McDonald's Corp.	2.625%	1/15/22	195	202
	McDonald's Corp.	3.250%	6/10/24	140	149
3	Nissan Motor Acceptance Corp.	1.950%	9/12/17	1,186	1,196
3	Nissan Motor Acceptance Corp.	1.800%	3/15/18	1,100	1,109
3	Nissan Motor Acceptance Corp.	2.650%	9/26/18	585	599
	PACCAR Financial Corp.	1.600%	3/15/17	752	757
	Toyota Motor Credit Corp.	1.750%	5/22/17	1,200	1,209
	Toyota Motor Credit Corp.	1.250%	10/5/17	900	903
3	Volkswagen Group of America Finance LLC	2.450%	11/20/19	440	446
	Wal-Mart Stores Inc.	3.250%	10/25/20	742	802
	Wal-Mart Stores Inc.	4.250%	4/15/21	1,000	1,133
	Wal-Mart Stores Inc.	2.550%	4/11/23	1,250	1,303
	Wal-Mart Stores Inc.	5.625%	4/15/41	2,790	3,745
	Wal-Mart Stores Inc.	4.300%	4/22/44	525	613
	Consumer Noncyclical (4.0%)				
	AbbVie Inc.	1.750%	11/6/17	775	780
	Actavis Funding SCS	3.000%	3/12/20	985	1,014
	Actavis Funding SCS	3.450%	3/15/22	950	987
	Actavis Funding SCS	3.800%	3/15/25	130	135
	Actavis Funding SCS	4.550%	3/15/35	245	254
	Actavis Funding SCS	4.850%	6/15/44	450	475
	Altria Group Inc.	4.750%	5/5/21	590	673
	Altria Group Inc.	2.850%	8/9/22	455	477
	Altria Group Inc.	4.500%	5/2/43	385	436
	AmerisourceBergen Corp.	3.500%	11/15/21	1,310	1,402
	Amgen Inc.	3.875%	11/15/21	310	338
3	Amgen Inc.	5.150%	11/15/41	945	1,076
	Anheuser-Busch InBev Finance Inc.	3.300%	2/1/23	2,000	2,102
	Anheuser-Busch InBev Finance Inc.	3.650%	2/1/26	1,805	1,929
	Anheuser-Busch InBev Finance Inc.	4.700%	2/1/36	4,140	4,658
	Anheuser-Busch InBev Finance Inc.	4.900%	2/1/46	2,640	3,096
	Anheuser-Busch InBev Worldwide Inc.	2.500%	7/15/22	4,615	4,689
	Anheuser-Busch InBev Worldwide Inc.	3.750%	7/15/42	520	522
	AstraZeneca plc	1.950%	9/18/19	390	395
	AstraZeneca plc	2.375%	11/16/20	1,180	1,203
	AstraZeneca plc	6.450%	9/15/37	615	838
	AstraZeneca plc	4.375%	11/16/45	800	874
1,3,4	Avery Point IV CLO Ltd.	2.158%	4/25/26	1,190	1,190
3	BAT International Finance plc	2.750%	6/15/20	550	572
3	BAT International Finance plc	3.250%	6/7/22	1,480	1,572
3	BAT International Finance plc	3.500%	6/15/22	235	253
3	Bayer US Finance LLC	2.375%	10/8/19	200	204
3	Bayer US Finance LLC	3.000%	10/8/21	1,980	2,067
3	Bayer US Finance LLC	3.375%	10/8/24	295	304
	Biogen Inc.	2.900%	9/15/20	550	573
	Bristol-Myers Squibb Co.	3.250%	11/1/23	990	1,093
	Cardinal Health Inc.	1.700%	3/15/18	75	76
	Cardinal Health Inc.	2.400%	11/15/19	625	640
	Cardinal Health Inc.	3.200%	3/15/23	1,065	1,116
	Cardinal Health Inc.	3.500%	11/15/24	580	617
	Cardinal Health Inc.	4.500%	11/15/44	665	698
3	Cargill Inc.	4.307%	5/14/21	2,092	2,305
3	Cargill Inc.	6.875%	5/1/28	645	845
3	Cargill Inc.	4.760%	11/23/45	1,560	1,814
	Catholic Health Initiatives Colorado GO	1.600%	11/1/17	55	55
	Catholic Health Initiatives Colorado GO	2.600%	8/1/18	255	260
1	Catholic Health Initiatives Colorado GO	4.350%	11/1/42	461	465
	Celgene Corp.	2.250%	5/15/19	160	163
	Celgene Corp.	3.550%	8/15/22	475	497
	Coca-Cola Co.	3.300%	9/1/21	300	326
	Coca-Cola Enterprises Inc.	3.500%	9/15/20	500	531
	Coca-Cola Femsa SAB de CV	2.375%	11/26/18	768	781
	Coca-Cola Femsa SAB de CV	3.875%	11/26/23	850	911
	Colgate-Palmolive Co.	7.600%	5/19/25	480	660
	Diageo Capital plc	2.625%	4/29/23	1,230	1,269
	Diageo Investment Corp.	2.875%	5/11/22	525	550
	Dignity Health California GO	2.637%	11/1/19	140	144
	Dignity Health California GO	3.812%	11/1/24	300	323
	Eli Lilly & Co.	3.700%	3/1/45	635	677
3	EMD Finance LLC	2.950%	3/19/22	605	620
3	EMD Finance LLC	3.250%	3/19/25	1,200	1,226
3	Forest Laboratories Inc.	4.875%	2/15/21	575	638
	Gilead Sciences Inc.	2.550%	9/1/20	615	637
	Gilead Sciences Inc.	3.700%	4/1/24	1,010	1,094
	Gilead Sciences Inc.	3.500%	2/1/25	560	598
	Gilead Sciences Inc.	4.500%	2/1/45	695	755
	GlaxoSmithKline Capital Inc.	2.800%	3/18/23	385	404
	GlaxoSmithKline Capital Inc.	5.375%	4/15/34	2,000	2,526
3	Imperial Tobacco Finance plc	3.750%	7/21/22	530	561
3	Japan Tobacco Inc.	2.100%	7/23/18	545	552
	Kaiser Foundation Hospitals	3.500%	4/1/22	560	603
	Kaiser Foundation Hospitals	4.875%	4/1/42	365	440
	Kraft Foods Group Inc.	2.250%	6/5/17	295	298
3	Kraft Heinz Foods Co.	5.000%	7/15/35	230	263
3	Kraft Heinz Foods Co.	4.375%	6/1/46	710	746
	Kroger Co.	3.850%	8/1/23	270	297
	Kroger Co.	4.000%	2/1/24	540	600
	McKesson Corp.	2.700%	12/15/22	195	198
	McKesson Corp.	2.850%	3/15/23	190	193
	McKesson Corp.	3.796%	3/15/24	305	330
	Medtronic Inc.	1.375%	4/1/18	225	226
	Medtronic Inc.	2.500%	3/15/20	935	970
	Medtronic Inc.	3.150%	3/15/22	1,290	1,375
	Medtronic Inc.	3.625%	3/15/24	270	297
	Medtronic Inc.	3.500%	3/15/25	2,196	2,402
	Medtronic Inc.	4.375%	3/15/35	249	281
	Memorial Sloan-Kettering Cancer Center	4.200%	7/1/55	405	460
	Memorial Sloan-Kettering Cancer Center New York GO	4.125%	7/1/52	275	306
	Merck & Co. Inc.	2.350%	2/10/22	790	814
	Merck & Co. Inc.	2.800%	5/18/23	1,175	1,230
	Merck & Co. Inc.	2.750%	2/10/25	1,210	1,266

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Merck & Co. Inc.	4.150%	5/18/43	760	851
	Molson Coors Brewing Co.	3.500%	5/1/22	690	732
	Molson Coors Brewing Co.	5.000%	5/1/42	160	179
	New York & Presbyterian Hospital	4.024%	8/1/45	735	801
	Novartis Capital Corp.	3.400%	5/6/24	415	454
	Novartis Capital Corp.	4.400%	5/6/44	640	774
	Partners Healthcare System Massachusetts GO	3.443%	7/1/21	50	53
	PepsiCo Inc.	3.125%	11/1/20	330	353
	PepsiCo Inc.	2.750%	3/5/22	670	702
	PepsiCo Inc.	4.000%	3/5/42	845	904
	Pfizer Inc.	6.200%	3/15/19	1,400	1,582
	Pfizer Inc.	3.000%	6/15/23	755	805
	Philip Morris International Inc.	4.500%	3/26/20	250	279
	Philip Morris International Inc.	4.125%	5/17/21	1,025	1,141
	Philip Morris International Inc.	2.500%	8/22/22	575	591
	Philip Morris International Inc.	2.625%	3/6/23	1,150	1,190
1	Procter & Gamble - Esop	9.360%	1/1/21	996	1,205
3	Roche Holdings Inc.	6.000%	3/1/19	181	204
3	Roche Holdings Inc.	2.875%	9/29/21	850	901
3	SABMiller Holdings Inc.	2.450%	1/15/17	400	403
3	SABMiller Holdings Inc.	3.750%	1/15/22	400	429
	Sanofi	4.000%	3/29/21	1,130	1,248
3	Sigma Alimentos SA de CV	4.125%	5/2/26	510	516
	The Pepsi Bottling Group Inc.	7.000%	3/1/29	500	717
	Unilever Capital Corp.	4.250%	2/10/21	2,805	3,133
	Energy (1.9%)				
3	BG Energy Capital plc	4.000%	10/15/21	980	1,064
	BP Capital Markets plc	1.846%	5/5/17	650	654
	BP Capital Markets plc	4.750%	3/10/19	795	861
	BP Capital Markets plc	2.315%	2/13/20	160	164
	BP Capital Markets plc	4.500%	10/1/20	400	443
	BP Capital Markets plc	3.062%	3/17/22	1,100	1,147
	BP Capital Markets plc	3.245%	5/6/22	650	683
	BP Capital Markets plc	2.500%	11/6/22	500	504
	BP Capital Markets plc	3.994%	9/26/23	420	454
	BP Capital Markets plc	3.814%	2/10/24	1,700	1,823
	BP Capital Markets plc	3.506%	3/17/25	1,280	1,354
	Chevron Corp.	3.191%	6/24/23	1,235	1,309
	ConocoPhillips	5.200%	5/15/18	1,500	1,599
	ConocoPhillips	5.750%	2/1/19	200	220
	ConocoPhillips	6.000%	1/15/20	95	108
	ConocoPhillips Co.	2.875%	11/15/21	686	699
	ConocoPhillips Co.	3.350%	11/15/24	1,040	1,071
	ConocoPhillips Co.	3.350%	5/15/25	245	251
	ConocoPhillips Co.	4.300%	11/15/44	1,570	1,587
	Devon Energy Corp.	3.250%	5/15/22	495	480
	Devon Energy Corp.	5.850%	12/15/25	250	276
	Devon Energy Corp.	5.600%	7/15/41	270	260
	Devon Energy Corp.	5.000%	6/15/45	355	330
	Dominion Gas Holdings LLC	3.550%	11/1/23	470	496
	EOG Resources Inc.	5.625%	6/1/19	425	469
	Exxon Mobil Corp.	2.222%	3/1/21	380	392
	Exxon Mobil Corp.	2.726%	3/1/23	320	334
	Exxon Mobil Corp.	3.043%	3/1/26	225	238
	Exxon Mobil Corp.	4.114%	3/1/46	320	360
	Halliburton Co.	3.500%	8/1/23	1,980	2,053
	Noble Energy Inc.	4.150%	12/15/21	425	448
	Occidental Petroleum Corp.	4.100%	2/1/21	1,120	1,228
	Occidental Petroleum Corp.	2.700%	2/15/23	250	255
	Occidental Petroleum Corp.	3.400%	4/15/26	790	833
	Occidental Petroleum Corp.	4.400%	4/15/46	625	688
	Phillips 66	4.875%	11/15/44	280	306
3	Schlumberger Holdings Corp.	3.000%	12/21/20	800	832
3	Schlumberger Investment SA	2.400%	8/1/22	630	632
	Schlumberger Investment SA	3.650%	12/1/23	1,120	1,201
	Shell International Finance BV	4.375%	3/25/20	800	877
	Shell International Finance BV	2.250%	11/10/20	1,600	1,638
	Shell International Finance BV	4.125%	5/11/35	1,200	1,284
	Shell International Finance BV	5.500%	3/25/40	345	428
	Shell International Finance BV	4.375%	5/11/45	2,150	2,338
	Suncor Energy Inc.	6.100%	6/1/18	400	430
	Suncor Energy Inc.	3.600%	12/1/24	625	652
	Suncor Energy Inc.	5.950%	12/1/34	500	592
	Sunoco Logistics Partners Operations LP	4.400%	4/1/21	1,225	1,284
	Total Capital International SA	1.550%	6/28/17	1,365	1,371
	Total Capital International SA	2.700%	1/25/23	885	907
	Total Capital International SA	3.750%	4/10/24	1,400	1,535
	Total Capital SA	2.125%	8/10/18	850	868
	TransCanada PipeLines Ltd.	3.800%	10/1/20	1,220	1,302
	TransCanada PipeLines Ltd.	4.875%	1/15/26	1,255	1,435
	Other Industrial (0.0%)				
3	Hutchison Whampoa International 11 Ltd.	3.500%	1/13/17	305	309
1	Johns Hopkins University Maryland GO	4.083%	7/1/53	690	766
	Technology (0.6%)				
	Apple Inc.	2.850%	5/6/21	1,100	1,163
	Apple Inc.	3.450%	5/6/24	1,000	1,083
	Apple Inc.	3.850%	5/4/43	430	431
	Apple Inc.	4.450%	5/6/44	120	131
	Cisco Systems Inc.	4.450%	1/15/20	605	668
	Cisco Systems Inc.	2.900%	3/4/21	320	340
	Intel Corp.	4.100%	5/19/46	1,360	1,414
	International Business Machines Corp.	3.375%	8/1/23	1,750	1,899
	International Business Machines Corp.	5.875%	11/29/32	1,250	1,624
	Microsoft Corp.	2.375%	2/12/22	635	656
	Microsoft Corp.	3.625%	12/15/23	500	554
	Microsoft Corp.	2.700%	2/12/25	760	784
	Microsoft Corp.	3.125%	11/3/25	845	904
	Microsoft Corp.	3.500%	2/12/35	605	623
	Microsoft Corp.	4.450%	11/3/45	380	429
	Oracle Corp.	2.800%	7/8/21	375	394
	Oracle Corp.	2.500%	5/15/22	1,210	1,238
	Oracle Corp.	2.950%	5/15/25	355	368
	Transportation (0.6%)				
	Burlington Northern Santa Fe LLC	3.000%	3/15/23	565	596
	Burlington Northern Santa Fe LLC	3.850%	9/1/23	1,630	1,813
1	Continental Airlines 2007-1 Class A Pass Through Trust	5.983%	10/19/23	726	813
3	ERAC USA Finance LLC	2.750%	3/15/17	205	207
3	ERAC USA Finance LLC	2.350%	10/15/19	610	622
3	ERAC USA Finance LLC	4.500%	8/16/21	325	360
3	ERAC USA Finance LLC	3.300%	10/15/22	40	42
3	ERAC USA Finance LLC	7.000%	10/15/37	1,150	1,560
1	Federal Express Corp. 1998 Pass Through Trust	6.720%	1/15/22	908	1,026
	FedEx Corp.	2.700%	4/15/23	255	261
	FedEx Corp.	4.900%	1/15/34	230	261
	FedEx Corp.	3.875%	8/1/42	120	117
	FedEx Corp.	4.100%	4/15/43	500	506
	FedEx Corp.	5.100%	1/15/44	340	395
	FedEx Corp.	4.550%	4/1/46	415	450
3	Kansas City Southern	4.950%	8/15/45	1,040	1,164
	Norfolk Southern Corp.	7.700%	5/15/17	1,500	1,584
	Southwest Airlines Co.	5.750%	12/15/16	1,500	1,531
1	Southwest Airlines Co. 2007-1 Pass Through Trust	6.150%	2/1/24	382	431
	United Parcel Service Inc.	2.450%	10/1/22	425	440
	United Parcel Service Inc.	4.875%	11/15/40	460	580
					280,937

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Utilities (2.4%)				
	Electric (2.2%)				
	Alabama Power Co.	5.550%	2/1/17	585	599
	Alabama Power Co.	3.750%	3/1/45	630	656
	Ameren Illinois Co.	6.125%	12/15/28	1,000	1,266
	Berkshire Hathaway Energy Co.	6.125%	4/1/36	1,000	1,324
	Berkshire Hathaway Energy Co.	6.500%	9/15/37	575	791
	Commonwealth Edison Co.	5.950%	8/15/16	770	774
	Commonwealth Edison Co.	4.350%	11/15/45	220	251
	Connecticut Light & Power Co.	5.650%	5/1/18	465	503
	Consolidated Edison Co. of New York Inc.	5.500%	9/15/16	700	706
	Consolidated Edison Co. of New York Inc.	5.300%	12/1/16	890	906
	Consolidated Edison Co. of New York Inc.	4.500%	12/1/45	980	1,118
	Consolidated Edison Co. of New York Inc.	4.625%	12/1/54	1,365	1,566
	Delmarva Power & Light Co.	3.500%	11/15/23	305	330
4	Dominion Resources Inc.	2.962%	7/1/19	495	504
	Dominion Resources Inc.	5.200%	8/15/19	750	831
	Dominion Resources Inc.	3.625%	12/1/24	1,515	1,595
	Duke Energy Carolinas LLC	5.250%	1/15/18	275	293
	Duke Energy Carolinas LLC	5.100%	4/15/18	590	631
	Duke Energy Carolinas LLC	3.900%	6/15/21	1,090	1,203
	Duke Energy Carolinas LLC	6.100%	6/1/37	391	520
	Duke Energy Corp.	4.800%	12/15/45	1,200	1,390
	Duke Energy Florida LLC	6.350%	9/15/37	200	283
	Duke Energy Progress LLC	6.300%	4/1/38	365	508
	Duke Energy Progress LLC	4.200%	8/15/45	845	949
	Eversource Energy	4.500%	11/15/19	90	99
	Eversource Energy	3.150%	1/15/25	110	115
	Florida Power & Light Co.	5.650%	2/1/35	1,000	1,262
	Florida Power & Light Co.	4.950%	6/1/35	1,000	1,216
	Florida Power & Light Co.	5.950%	2/1/38	785	1,078
	Georgia Power Co.	5.400%	6/1/18	1,165	1,256
	Georgia Power Co.	5.950%	2/1/39	218	283
	Georgia Power Co.	5.400%	6/1/40	1,163	1,434
	Georgia Power Co.	4.750%	9/1/40	168	192
	Georgia Power Co.	4.300%	3/15/42	950	1,040
	National Rural Utilities Cooperative Finance Corp.	5.450%	2/1/18	1,500	1,601
	National Rural Utilities Cooperative Finance Corp.	2.850%	1/27/25	1,040	1,085
	Northern States Power Co.	6.250%	6/1/36	2,000	2,783
	Pacific Gas & Electric Co.	4.250%	5/15/21	300	332
	Pacific Gas & Electric Co.	3.850%	11/15/23	450	496
	Pacific Gas & Electric Co.	3.750%	2/15/24	305	334
	Pacific Gas & Electric Co.	5.125%	11/15/43	285	345
	PacifiCorp	6.250%	10/15/37	2,000	2,764
	Peco Energy Co.	5.350%	3/1/18	565	604
	Potomac Electric Power Co.	6.500%	11/15/37	750	1,051
	Public Service Electric & Gas Co.	5.300%	5/1/18	1,900	2,042
	San Diego Gas & Electric Co.	6.000%	6/1/26	600	785
	Sierra Pacific Power Co.	3.375%	8/15/23	850	909
	South Carolina Electric & Gas Co.	6.050%	1/15/38	1,000	1,288
	South Carolina Electric & Gas Co.	4.100%	6/15/46	525	555
	South Carolina Electric & Gas Co.	5.100%	6/1/65	605	699
	Southern California Edison Co.	2.400%	2/1/22	170	175
	Southern California Edison Co.	6.000%	1/15/34	1,000	1,320
	Southern California Edison Co.	5.550%	1/15/37	2,250	2,920
	Southern California Edison Co.	3.600%	2/1/45	141	147
	Southern Co.	2.450%	9/1/18	225	230
	Southern Co.	2.950%	7/1/23	1,280	1,325
	Virginia Electric & Power Co.	2.750%	3/15/23	690	716
	Wisconsin Electric Power Co.	5.700%	12/1/36	690	904

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Natural Gas (0.2%)				
	AGL Capital Corp.	6.375%	7/15/16	775	776
	Nisource Finance Corp.	5.250%	2/15/43	390	469
	NiSource Finance Corp.	4.800%	2/15/44	1,355	1,557
	Southern California Gas Co.	2.600%	6/15/26	820	842
	Other Utility (0.0%)				
	UGI Utilities Inc.	5.753%	9/30/16	1,170	1,181
					57,707
	Total Corporate Bonds (Cost $508,091)				549,661
	Sovereign Bonds (U.S. Dollar-Denominated) (1.3%)				
3	Abu Dhabi National Energy Co. PJSC	5.875%	10/27/16	595	603
3	CDP Financial Inc.	4.400%	11/25/19	1,000	1,100
3	Electricite de France SA	4.600%	1/27/20	1,200	1,317
3	Electricite de France SA	4.875%	1/22/44	50	53
3	Electricite de France SA	4.950%	10/13/45	400	441
1,3	Electricite de France SA	5.250%	1/29/49	235	224
1,3	Electricite de France SA	5.625%	12/29/49	1,150	1,080
	Export-Import Bank of Korea	1.750%	5/26/19	2,000	2,019
	International Bank for Reconstruction & Development	4.750%	2/15/35	2,000	2,674
	Korea Development Bank	2.875%	8/22/18	505	519
	Korea Development Bank	2.500%	3/11/20	2,000	2,041
3	Petroleos Mexicanos	5.500%	2/4/19	330	348
	Province of Ontario	2.500%	4/27/26	2,150	2,217
	Quebec	5.125%	11/14/16	1,000	1,015
	Quebec	2.500%	4/20/26	3,820	3,929
3	Sinopec Group Overseas Development 2015 Ltd.	2.500%	4/28/20	1,615	1,633
3	Sinopec Group Overseas Development 2015 Ltd.	3.250%	4/28/25	1,615	1,634
3	State Grid Overseas Investment 2014 Ltd.	2.750%	5/7/19	1,305	1,338
	Statoil ASA	2.250%	11/8/19	580	594
	Statoil ASA	2.900%	11/8/20	1,410	1,472
	Statoil ASA	2.750%	11/10/21	850	883
	Statoil ASA	2.450%	1/17/23	382	386
	Statoil ASA	2.650%	1/15/24	360	365
	Statoil ASA	3.700%	3/1/24	640	692
	Statoil ASA	3.250%	11/10/24	795	837
3	Temasek Financial I Ltd.	2.375%	1/23/23	1,130	1,163
	United Mexican States	3.500%	1/21/21	342	362
	United Mexican States	3.600%	1/30/25	305	319
	Total Sovereign Bonds (Cost $29,662)				31,258
	Taxable Municipal Bonds (1.7%)				
	Atlanta GA Downtown Development Authority Revenue	6.875%	2/1/21	300	337
	Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.263%	4/1/49	1,000	1,527
	Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	7.043%	4/1/50	715	1,124
	California GO	5.700%	11/1/21	265	317
	California GO	7.550%	4/1/39	1,170	1,851
	California GO	7.300%	10/1/39	300	454
	California GO	7.625%	3/1/40	90	142
	California GO	7.600%	11/1/40	920	1,488
	Chicago IL Metropolitan Water Reclamation District GO	5.720%	12/1/38	215	267
	Chicago IL O’Hare International Airport Revenue	6.845%	1/1/38	530	603
	Chicago IL O’Hare International Airport Revenue	6.395%	1/1/40	425	604

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Chicago IL Transit Authority Transfer Tax Receipts Revenue	6.899%	12/1/40	385	501
	Chicago Transit Authority	6.899%	12/1/40	695	905
	Dallas TX Area Rapid Transit Revenue	5.999%	12/1/44	750	1,084
	Georgia Municipal Electric Power Authority Revenue	6.637%	4/1/57	1,296	1,707
	Grand Parkway Transportation Corp. Texas System Toll Revenue	5.184%	10/1/42	1,015	1,323
	Houston TX GO	6.290%	3/1/32	570	731
	Illinois GO	5.100%	6/1/33	1,600	1,536
	Illinois Toll Highway Authority Revenue	6.184%	1/1/34	750	1,010
5	Kansas Development Finance Authority Revenue (Public Employees Retirement System)	5.501%	5/1/34	2,000	2,457
	Los Angeles CA Community College District GO	6.750%	8/1/49	405	645
	Los Angeles CA Unified School District GO	5.750%	7/1/34	1,400	1,854
	Maryland Transportation Authority Facilities Projects Revenue	5.888%	7/1/43	545	739
	Massachusetts School Building Authority Dedicated Sales Tax Revenue	5.715%	8/15/39	1,000	1,316
	New Jersey Turnpike Authority Revenue	7.414%	1/1/40	410	642
	New Jersey Turnpike Authority Revenue	7.102%	1/1/41	600	912
	New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.790%	6/15/41	115	129
	New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.882%	6/15/44	80	115
	New York Metropolitan Transportation Authority Revenue	6.814%	11/15/40	150	219
	New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	7.336%	11/15/39	325	515
	New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	6.089%	11/15/40	445	611
	North Texas Tollway Authority System Revenue	6.718%	1/1/49	1,555	2,382
	Oregon Department of Transportation Highway User Tax Revenue	5.834%	11/15/34	655	895
	Oregon GO	5.902%	8/1/38	490	667
5	Oregon School Boards Association GO	5.528%	6/30/28	2,000	2,472
	Port Authority of New York & New Jersey Revenue	5.859%	12/1/24	325	416
	Port Authority of New York & New Jersey Revenue	6.040%	12/1/29	265	347
	Port Authority of New York & New Jersey Revenue	4.458%	10/1/62	1,300	1,487
	Port Authority of New York & New Jersey Revenue	4.810%	10/15/65	640	774
	San Antonio TX Electric & Gas Systems Revenue	5.985%	2/1/39	305	431
	University of California	3.931%	5/15/45	570	610
	University of California Regents General Revenue	4.601%	5/15/31	590	692
	University of California Regents Medical Center Revenue	6.548%	5/15/48	295	426
	University of California Regents Medical Center Revenue	6.583%	5/15/49	900	1,300
	University of California Revenue	5.770%	5/15/43	1,010	1,362
	University of California Revenue	4.765%	5/15/44	145	157
Total Taxable Municipal Bonds (Cost $34,028)					42,083

		Coupon	Shares	Market Value• ($000)
Temporary Cash Investments (2.2%)				
Money Market Fund (1.3%)				
6,7	Vanguard Market Liquidity Fund	0.538%	30,539,800	30,540

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Repurchase Agreement (0.9%)				
RBS Securities, Inc. (Dated 6/30/16, Repurchase Value $23,100,000, collateralized by U.S. Treasury Note/Bond, 3.625%, 2/15/20, with a value of $23,563,000)	0.400%	7/1/16	23,100	23,100
Total Temporary Cash Investments (Cost $53,640)				53,640
Total Investments (100.5%) (Cost $2,007,527)				2,415,655

	Amount ($000)
Other Assets and Liabilities (-0.5%)	
Other Assets	
Investment in Vanguard	196
Receivables for Investment Securities Sold	22,856
Receivables for Accrued Income	9,130
Receivables for Capital Shares Issued	1,272
Other Assets[8]	761
Total Other Assets	34,215
Liabilities	
Payables for Investment Securities Purchased	(10,486)
Collateral for Securities on Loan	(30,540)
Payables for Capital Shares Redeemed	(1,472)
Payables to Vanguard	(3,079)
Other Liabilities	(116)
Total Liabilities	(45,693)
Net Assets (100%)	
Applicable to 110,360,607 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	2,404,177
Net Asset Value Per Share	$21.78

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,946,770
Undistributed Net Investment Income	29,178
Accumulated Net Realized Gains	20,221
Unrealized Appreciation (Depreciation)	
Investment Securities	408,128
Futures Contracts	(98)
Foreign Currencies	(22)
Net Assets	**2,404,177**

• See Note A in Notes to Financial Statements.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $29,604,000.

* Non-income-producing security.

† Includes securities purchased on a when-issued or delayed-delivery basis for which the portfolio has not taken delivery as of June 30, 2016.

1 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

2 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

3 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, the aggregate value of these securities was $119,880,000, representing 5.0% of net assets.

4 Adjustable-rate security.

5 Scheduled principal and interest payments are guaranteed by AGM (Assured Guaranty Municipal Corporation).

6 Includes $30,540,000 of collateral received for securities on loan.

7 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

8 Cash of $224,000 has been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

GO—General Obligation Bond.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends[1]	22,095
Interest	13,015
Securities Lending	121
Total Income	35,231
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	637
Performance Adjustment	(78)
The Vanguard Group—Note C	
Management and Administrative	1,810
Marketing and Distribution	204
Custodian Fees	28
Shareholders' Reports	23
Trustees' Fees and Expenses	2
Total Expenses	2,626
Net Investment Income	**32,605**
Realized Net Gain (Loss)	
Investment Securities Sold	22,677
Futures Contracts	(1,247)
Foreign Currencies	(12)
Realized Net Gain (Loss)	**21,418**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	60,649
Futures Contracts	(132)
Foreign Currencies	(3)
Change in Unrealized Appreciation (Depreciation)	**60,514**
Net Increase (Decrease) in Net Assets Resulting from Operations	**114,537**

1 Dividends are net of foreign withholding taxes of $284,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	32,605	59,143
Realized Net Gain (Loss)	21,418	103,957
Change in Unrealized Appreciation (Depreciation)	60,514	(161,796)
Net Increase (Decrease) in Net Assets Resulting from Operations	114,537	1,304
Distributions		
Net Investment Income	(59,178)	(55,202)
Realized Capital Gain[1]	(103,561)	(109,242)
Total Distributions	(162,739)	(164,444)
Capital Share Transactions		
Issued	87,590	206,845
Issued in Lieu of Cash Distributions	162,739	164,444
Redeemed	(109,611)	(230,337)
Net Increase (Decrease) from Capital Share Transactions	140,718	140,952
Total Increase (Decrease)	92,516	(22,188)
Net Assets		
Beginning of Period	**2,311,661**	**2,333,849**
End of Period[2]	**2,404,177**	**2,311,661**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $1,336,000 and $5,133,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $29,178,000 and $55,763,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$22.32**	**$23.99**	**$23.66**	**$20.70**	**$18.90**	**$18.70**
Investment Operations						
Net Investment Income	.302	.576	.569	.540	.547	.552
Net Realized and Unrealized Gain (Loss) on Investments	.742	(.548)	1.613	3.450	1.800	.143
Total from Investment Operations	1.044	.028	2.182	3.990	2.347	.695
Distributions						
Dividends from Net Investment Income	(.576)	(.570)	(.555)	(.550)	(.547)	(.495)
Distributions from Realized Capital Gains	(1.008)	(1.128)	(1.297)	(.480)	—	—
Total Distributions	(1.584)	(1.698)	(1.852)	(1.030)	(.547)	(.495)
Net Asset Value, End of Period	**$21.78**	**$22.32**	**$23.99**	**$23.66**	**$20.70**	**$18.90**
Total Return	**4.99%**	**0.09%**	**9.84%**	**19.88%**	**12.56%**	**3.70%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$2,404	$2,312	$2,334	$2,089	$1,691	$1,430
Ratio of Total Expenses to Average Net Assets[1]	0.23%	0.23%	0.25%	0.27%	0.26%	0.29%
Ratio of Net Investment Income to Average Net Assets	2.80%	2.53%	2.50%	2.52%	2.86%	2.95%
Portfolio Turnover Rate	37%[2]	45%[2]	70%[2]	31%[2]	24%[2]	36%[2]

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Includes performance-based investment advisory fee increases (decreases) of (0.01%), 0.00%, 0.00%, 0.00%, (0.01%), and 0.00%.

2 Includes 0%, 14%, 15%, 19%, 18%, and 9% attributable to mortgage-dollar-roll activity.

Notes to Financial Statements

Vanguard Balanced Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Bonds and temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Other temporary cash investments are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close

of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Futures Contracts: The portfolio uses futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 1% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

4. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The portfolio may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the portfolio is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The portfolio mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The portfolio may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. Under an MSFTA, upon a counterparty default (including bankruptcy), the portfolio may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements.

5. Mortgage Dollar Rolls: The portfolio enters into mortgage-dollar-roll transactions, in which the portfolio sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The portfolio forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The portfolio has also entered into mortgage-dollar-roll transactions in which the portfolio buys mortgage-backed securities from a dealer pursuant to a TBA transaction and simultaneously agrees to sell similar securities in the future at a predetermined price. The securities bought in mortgage-dollar-roll

transactions are used to cover an open TBA sell position. The portfolio continues to earn interest on mortgage-backed security pools already held and receives a lower price on the securities to be sold in the future. The portfolio accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the portfolio's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Net Assets.

6. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

7. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

8. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

9. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

10. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

11. Other: Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. The basic fee is subject to quarterly adjustments based on the portfolio's performance relative to the combined index comprising the S&P 500 Index and the Barclays U.S. Credit A or Better Bond Index for the preceding three years. For the six months ended June 30, 2016, the investment advisory fee represented an effective annual basic rate of 0.06% of the portfolio's average net assets before a decrease of $78,000 (0.01%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, distribution, and cash management services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $196,000, representing 0.01% of the portfolio's net assets and 0.08% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,444,530	124,492	—
U.S. Government and Agency Obligations	—	142,090	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	27,901	—
Corporate Bonds	—	549,661	—
Sovereign Bonds	—	31,258	—
Taxable Municipal Bonds	—	42,083	—
Temporary Cash Investments	30,540	23,100	—
Futures Contracts—Assets[1]	20	—	—
Futures Contracts—Liabilities[1]	(18)	—	—
Total	1,475,072	940,585	—

1 Represents variation margin on the last day of the reporting period.

E. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

				($000)
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
10-Year U.S. Treasury Note	September 2016	(135)	(17,953)	(220)
Ultra Long U.S. Treasury Bond	September 2016	13	2,423	154
5-Year U.S. Treasury Note	September 2016	(14)	(1,710)	(32)
				(98)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

During the six months ended June 30, 2016, the portfolio realized net foreign currency losses of $12,000, which decreased distributable net income for tax purposes; accordingly, such losses have been reclassified from accumulated net realized gains to undistributed net investment income.

At June 30, 2016, the cost of investment securities for tax purposes was $2,008,576,000. Net unrealized appreciation of investment securities for tax purposes was $407,079,000, consisting of unrealized gains of $447,755,000 on securities that had risen in value since their purchase and $40,676,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $262,302,000 of investment securities and sold $252,635,000 of investment securities, other than U.S. government securities and temporary cash investments. Purchases and sales of U.S. government securities were $159,909,000 and $188,158,000, respectively.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	4,071	9,057
Issued in Lieu of Cash Distributions	7,798	7,341
Redeemed	(5,085)	(10,090)
Net Increase (Decrease) in Shares Outstanding	6,784	6,308

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 65% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Balanced Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,049.87	$1.17
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.72	1.16

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratios for that period is 0.23%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Balanced Portfolio has renewed the portfolio's investment advisory arrangement with Wellington Management Company LLP (Wellington Management). The board determined that renewing the portfolio's advisory arrangement was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional investment managers. The two senior portfolio managers are backed by well-tenured teams of equity and fixed income research analysts who conduct detailed fundamental analysis of their respective industries and companies. In managing the equity portion of the portfolio, the advisor employs a bottom-up, fundamental research approach focusing on high-quality companies with above-average yields, strong balance sheets, sustainable competitive advantages, and attractive valuations. In managing the fixed income portion of the portfolio, the advisor focuses on investment-grade corporate bonds. The firm has advised the Balanced Portfolio since its inception in 1991.

The board concluded that the advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio's shareholders benefit from economies of scale because of breakpoints in the portfolio's advisory fee schedule. The breakpoints reduce the effective rate of the fee as the portfolio's assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.
2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Q692B 082016

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

High Yield Bond Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® High Yield Bond Portfolio

Advisor's Report

The investment environment

For the first six months of 2016, Vanguard High Yield Bond Portfolio returned 5.78%, compared with the benchmark return of 7.24%. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

High-yield markets benefited from declining U.S. Treasury yields, more accommodative global monetary policies, tightening credit spreads, and coupon income. The 10-year U.S. Treasury yield declined sharply to 1.47% on June 30, 2016, from 2.30% on December 31. Because bond yields and prices move in opposite directions, bond prices increased. Longer-duration and interest rate-sensitive fixed income assets generated strong returns in this environment. Credit-sensitive sectors, including the high-yield market, also performed well, supported by continued demand for yield given low absolute interest rates around much of the globe.

Oil and other commodity prices declined at the start of the period, but have rallied sharply since mid-February, and commodity-sensitive credits performed well. Investors turned more cautious in late June as the U.K. referendum on whether to remain in the European Union moved into sharper focus and the vote to leave the EU led to a flight to safety. However, this spike in global market volatility was not enough to reverse the favorable trends, resulting in a positive return overall for the high-yield market.

For the six months ended June 30, there was notable dispersion in performance by credit quality. The high-yield market favored relatively lower-credit-quality bonds amid the insatiable search for yield. Lower-rated CCC bonds performed best, returning 16.03%, according to Barclays High Yield Index data. Higher-rated BB bonds gained 7.60%, and B-rated bonds returned 7.41%. The spread of the high-yield market tightened to 594 basis points over Treasuries as of June 30, from 660 basis points at the end of 2015. The average dollar price of the high-yield market increased six points, to $95 from $89, during the period.

Overall corporate fundamentals and debt levels at most companies remain stable. We expect U.S. GDP growth to remain stable in 2016, and believe most high-yield issuers will be able to sustain solid credit profiles in that environment. Therefore, we believe the economic backdrop for the high-yield market is generally supportive. But we continue to closely monitor factors that could influence U.S. and global growth, including the United Kingdom's expected exit from the EU and broader global trends toward more protectionist policies.

We expect that default rates will peak in 2016 in the 5%–6% range, with the defaults mainly concentrated in the commodity-sensitive sectors (in energy and in metals and mining). Yields in these sectors are higher on average than in the broad market. We have been finding opportunities—for example, in oil-related exploration and production companies—but are selective in our approach. Moody's trailing 12-month global speculative-grade default rate was 4.5% at the end of May, crossing above the long-term average of 4.2%. As we look around the world, we are most positive about the U.S. economy. As a result, we are emphasizing issuers that we believe will benefit from a strong U.S. consumer and sectors that are less cyclical (for example, media cable and health care) as we believe they offer an attractive risk/reward profile.

The portfolio's shortfalls

An underweight allocation to the metals and mining sector and to the energy sector detracted from relative returns. Security selection within wireless also hurt relative results.

The portfolio's successes

The fund benefited from positive credit selection in building materials as well as its underweight exposure to pharmaceuticals.

Total Returns

	Six Months Ended June 30, 2016
Vanguard High Yield Bond Portfolio	5.78%
High-Yield Corporate Composite Index[1]	7.24
Variable Insurance High Yield Funds Average[2]	6.46

Expense Ratios[3]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance High Yield Funds Average
High Yield Bond Portfolio	0.28%	0.84%

1 Consists of 95% Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Barclays U.S. 1–5 Year Treasury Bond Index.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
3 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.28%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

An underweight allocation to Treasury securities also helped benchmark-relative performance.

The portfolio's positioning

The fund remains consistent in its investment objective and strategy and maintains a meaningful exposure to relatively higher-quality companies within the high-yield market. We believe these companies have more consistent businesses and greater predictability of cash flows than those at the lower end of the quality spectrum. We emphasize higher-quality issuers in an effort to minimize defaults and provide stable income. We continue to diversify the fund's holdings by issuer and industry and continue to deemphasize non-cash-paying securities, preferred stocks, and equity-linked securities such as convertibles because of their potential for volatility.

Michael L. Hong, CFA
Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

July 20, 2016

Portfolio Profile

As of June 30, 2016

Financial Attributes

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Bonds	436	1,867	2,202
Yield[3]	5.5%	5.8%	7.3%
Yield to Maturity	5.9%[4]	6.0%	7.5%
Average Coupon	5.9%	6.0%	6.6%
Average Effective Maturity	5.8 years	5.6 years	5.5 years
Average Duration	4.6 years	4.3 years	4.3 years
Expense Ratio[5]	0.28%	—	—
Short-Term Reserves	3.1%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.97	0.93
Beta	0.91	0.77

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	4.0%
1–5 Years	29.7
5–10 Years	58.1
10–20 Years	5.1
20–30 Years	2.7
Over 30 Years	0.4

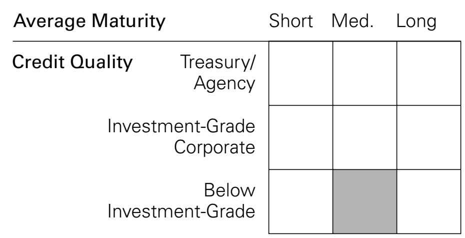
Sector Diversification[6] (% of portfolio)

Basic Industry	6.3%
Capital Goods	8.9
Communication	27.0
Consumer Cyclical	7.9
Consumer Non-Cyclical	11.9
Energy	10.7
Finance	10.7
Technology	9.3
Transportation	2.0
Treasury/Agency	1.7
Utilities	3.6

Distribution by Credit Quality (% of portfolio)

U.S. Government	1.7%
Aaa	0.0
Baa	3.8
Ba	50.7
B	35.6
Caa	7.8
C	0.0
Not Rated	0.4

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

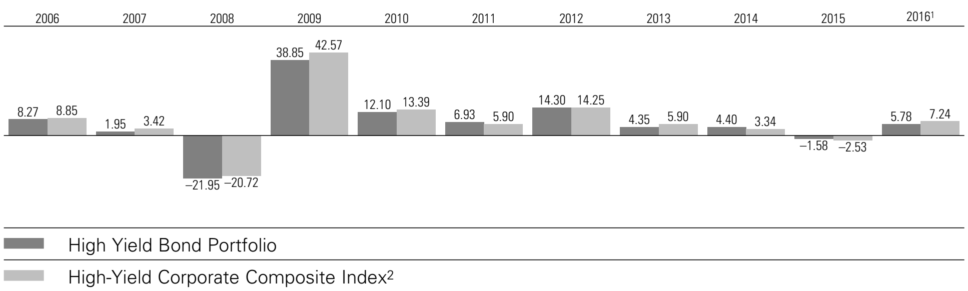
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 High-Yield Corporate Composite Index.
2 Barclays U.S. Corporate High Yield Bond Index.
3 30-day SEC yield for the portfolio; index yield assumes that all bonds are called or prepaid at the earliest possible dates.
4 Before expenses.
5 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.28%.
6 The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

				Ten Years		
	Inception Date	One Year	Five Years	Capital	Income	Total
High Yield Bond Portfolio	6/3/1996	2.15%	5.77%	-0.58%	6.86%	6.28%

1 Six months ended June 30, 2016.

2 Consists of 95% Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Barclays U.S. 1–5 Year Treasury Bond Index.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back of the report for further information).

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	U.S. Government and Agency Obligations (1.7%)				
	U.S. Government Securities (1.7%)				
	United States Treasury Note/Bond	0.875%	11/30/16	4,060	4,069
	United States Treasury Note/Bond	0.875%	2/28/17	5,250	5,265
	Total U.S. Government and Agency Obligations (Cost $9,322)				9,334
	Corporate Bonds (94.9%)				
	Finance (10.6%)				
	Banking (0.3%)				
	Royal Bank of Scotland Group plc	6.125%	12/15/22	1,635	1,702
	Finance Companies (7.8%)				
	AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	3.750%	5/15/19	1,480	1,482
	AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	4.500%	5/15/21	1,810	1,851
	AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	5.000%	10/1/21	755	784
	AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	4.625%	7/1/22	585	598
	Aircastle Ltd.	6.250%	12/1/19	345	374
	Aircastle Ltd.	5.125%	3/15/21	30	31
	Aircastle Ltd.	5.500%	2/15/22	830	867
	Aircastle Ltd.	5.000%	4/1/23	1,225	1,246
	CIT Group Inc.	5.250%	3/15/18	3,045	3,140
1	CIT Group Inc.	6.625%	4/1/18	2,555	2,702
1	CIT Group Inc.	5.500%	2/15/19	2,270	2,372
	CIT Group Inc.	3.875%	2/19/19	1,100	1,106
	CIT Group Inc.	5.375%	5/15/20	2,915	3,032
	CIT Group Inc.	5.000%	8/15/22	1,745	1,776
	Homer City Generation LP	8.734%	10/1/26	3,575	2,073
	International Lease Finance Corp.	3.875%	4/15/18	615	623
	International Lease Finance Corp.	5.875%	4/1/19	1,455	1,550
	International Lease Finance Corp.	6.250%	5/15/19	2,042	2,198
	International Lease Finance Corp.	8.250%	12/15/20	1,511	1,768
	International Lease Finance Corp.	4.625%	4/15/21	970	999
	International Lease Finance Corp.	8.625%	1/15/22	900	1,089
	International Lease Finance Corp.	5.875%	8/15/22	90	97
	iStar Financial Inc.	4.875%	7/1/18	295	284
	iStar Financial Inc.	5.000%	7/1/19	1,290	1,203
	Navient Corp.	8.450%	6/15/18	815	880
	Navient Corp.	5.500%	1/15/19	2,730	2,737
	Navient Corp.	8.000%	3/25/20	2,000	2,040
	Navient Corp.	7.250%	1/25/22	615	598
	Navient Corp.	5.500%	1/25/23	2,325	2,011
1	OneMain Financial Holdings LLC	6.750%	12/15/19	285	278
	Springleaf Finance Corp.	5.250%	12/15/19	210	196
	Springleaf Finance Corp.	8.250%	12/15/20	1,700	1,691
	Springleaf Finance Corp.	7.750%	10/1/21	470	452
	Insurance (1.7%)				
1	Liberty Mutual Group Inc.	7.800%	3/15/37	1,560	1,700
	LifePoint Health Inc.	5.875%	12/1/23	1,355	1,406
	Radian Group Inc.	7.000%	3/15/21	1,345	1,436
	Unum Group	7.375%	6/15/32	175	214
2	Voya Financial Inc.	5.650%	5/15/53	2,725	2,568
	WellCare Health Plans Inc.	5.750%	11/15/20	1,915	1,980
	Other Finance (0.3%)				
	CNO Financial Group Inc.	4.500%	5/30/20	150	154
	CNO Financial Group Inc.	5.250%	5/30/25	665	685
1,3	Lincoln Finance Ltd.	6.875%	4/15/21	265	315
1	Lincoln Finance Ltd.	7.375%	4/15/21	485	503
	Real Estate Investment Trusts (0.5%)				
	Felcor Lodging LP	5.625%	3/1/23	2,325	2,331
	Felcor Lodging LP	6.000%	6/1/25	660	663
					59,785
	Industrial (81.2%)				
	Basic Industry (6.8%)				
	AK Steel Corp.	7.625%	10/1/21	355	329
	AK Steel Corp.	7.500%	7/15/23	265	270
1	Anglo American Capital plc	3.625%	5/14/20	1,025	984
1	Anglo American Capital plc	4.125%	4/15/21	855	812
1	Anglo American Capital plc	4.125%	9/27/22	665	627
1	Anglo American Capital plc	4.875%	5/14/25	650	618
	ArcelorMittal	5.125%	6/1/20	295	304
	ArcelorMittal	6.250%	8/5/20	1,035	1,079
	ArcelorMittal	6.500%	3/1/21	220	225
	ArcelorMittal	7.250%	2/25/22	560	589
	ArcelorMittal	6.125%	6/1/25	670	666
4,5	Arch Coal Inc. Bank Loan	5.000%	5/16/18	800	791
4,5	Arch Coal Inc. Bank Loan	7.500%	5/16/18	3,420	1,565
	Axiall Corp.	4.875%	5/15/23	230	235
1	Cascades Inc.	5.500%	7/15/22	300	291
	Chemours Co.	6.625%	5/15/23	2,565	2,167
	Chemours Co.	7.000%	5/15/25	490	412
1,3	Constellium NV	4.625%	5/15/21	125	109
1	Constellium NV	8.000%	1/15/23	1,520	1,326
1	Constellium NV	5.750%	5/15/24	500	385
	Eagle Spinco Inc.	4.625%	2/15/21	760	775
	Freeport-McMoRan Inc.	3.875%	3/15/23	325	284
	Freeport-McMoRan Inc.	4.550%	11/14/24	960	840
	Freeport-McMoRan Inc.	5.400%	11/14/34	1,090	867
	Freeport-McMoRan Inc.	5.450%	3/15/43	2,200	1,765
	Hexion US Finance Corp.	6.625%	4/15/20	1,545	1,290
1,3	INEOS Group Holdings SA	5.750%	2/15/19	790	882
1	INEOS Group Holdings SA	5.875%	2/15/19	1,385	1,385
1	New Gold Inc.	7.000%	4/15/20	260	268
1	New Gold Inc.	6.250%	11/15/22	70	68
	Novelis Inc.	8.375%	12/15/17	1,008	1,031
	Novelis Inc.	8.750%	12/15/20	2,715	2,830
	Steel Dynamics Inc.	5.125%	10/1/21	1,320	1,346
	Steel Dynamics Inc.	5.500%	10/1/24	1,185	1,212
	Teck Resources Ltd.	3.750%	2/1/23	295	223
1	Teck Resources Ltd.	8.500%	6/1/24	525	541
	Teck Resources Ltd.	6.125%	10/1/35	235	167
	Teck Resources Ltd.	6.000%	8/15/40	200	140
	Teck Resources Ltd.	6.250%	7/15/41	645	461
	Teck Resources Ltd.	5.200%	3/1/42	150	98
	Teck Resources Ltd.	5.400%	2/1/43	700	462
	United States Steel Corp.	7.375%	4/1/20	938	881
	United States Steel Corp.	6.875%	4/1/21	865	750
1	United States Steel Corp.	8.375%	7/1/21	1,795	1,889
	United States Steel Corp.	6.650%	6/1/37	460	304
1,3	VWR Funding Inc.	4.625%	4/15/22	3,500	3,897

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Capital Goods (8.9%)				
1	Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,415	1,447
1	Ashtead Capital Inc.	6.500%	7/15/22	825	852
	Ball Corp.	4.375%	12/15/20	830	874
	Berry Plastics Corp.	5.500%	5/15/22	60	61
	Berry Plastics Corp.	5.125%	7/15/23	60	60
	Berry Plastics Escrow LLC/Berry Plastics Escrow Corp.	6.000%	10/15/22	750	776
1	Beverage Packaging Holdings Luxembourg II SA / Beverage Packaging Holdings II Is	6.000%	6/15/17	105	105
1	BlueLine Rental Finance Corp.	7.000%	2/1/19	950	815
	Case New Holland Inc.	7.875%	12/1/17	2,660	2,856
1	Cemex Finance LLC	6.000%	4/1/24	290	281
1	Cemex SAB de CV	6.125%	5/5/25	3,580	3,477
1	Cemex SAB de CV	7.750%	4/16/26	735	771
	Clean Harbors Inc.	5.250%	8/1/20	2,006	2,054
	Clean Harbors Inc.	5.125%	6/1/21	2,033	2,079
	CNH Industrial Capital LLC	3.625%	4/15/18	1,145	1,148
	CNH Industrial Capital LLC	3.875%	7/16/18	2,015	2,023
	CNH Industrial Capital LLC	3.375%	7/15/19	257	253
	CNH Industrial Capital LLC	4.375%	11/6/20	1,230	1,242
	CNH Industrial Capital LLC	4.875%	4/1/21	1,155	1,175
1	HD Supply Inc.	5.250%	12/15/21	1,105	1,155
1	HD Supply Inc.	5.750%	4/15/24	280	290
1	Huntington Ingalls Industries Inc.	5.000%	11/15/25	385	407
	Masco Corp.	7.750%	8/1/29	480	566
	Masco Corp.	6.500%	8/15/32	120	128
	Owens Corning	9.000%	6/15/19	143	165
1	Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	935
1	Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	375
	PulteGroup Inc.	5.500%	3/1/26	1,060	1,092
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	985	1,017
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	6.875%	2/15/21	1,165	1,206
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	8.250%	2/15/21	2,070	2,158
1	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	1,490	1,512
1	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	453
1	Signode Industrial Group Lux SA/ Signode Industrial Group US Inc.	6.375%	5/1/22	845	815
1	Standard Industries Inc.	5.500%	2/15/23	295	301
1	Standard Industries Inc.	5.375%	11/15/24	1,085	1,101
1	Standard Industries Inc.	6.000%	10/15/25	4,295	4,510
	Terex Corp.	6.000%	5/15/21	1,350	1,347
	TransDigm Inc.	6.500%	5/15/25	2,635	2,635
	United Rentals North America Inc.	7.625%	4/15/22	1,770	1,881
	United Rentals North America Inc.	6.125%	6/15/23	355	369
	United Rentals North America Inc.	4.625%	7/15/23	840	847
	United Rentals North America Inc.	5.500%	7/15/25	1,025	1,008
	United Rentals North America Inc.	5.875%	9/15/26	870	862
1	USG Corp.	5.500%	3/1/25	263	276
	Vulcan Materials Co.	7.150%	11/30/37	220	259
	Communication (25.6%)				
1	Altice Financing SA	6.625%	2/15/23	615	606
1	Altice US Finance I Corp.	5.500%	5/15/26	1,900	1,898
1	Bankrate Inc.	6.125%	8/15/18	385	382
	Belo Corp.	7.750%	6/1/27	205	213
	Belo Corp.	7.250%	9/15/27	616	642
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	259
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	374
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	406
1	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	3,020
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,187
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	145	152
1	CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,441	2,475
1	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,493
1	CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,686	1,720
1	CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	745	769
1	Cequel Communications Holdings I LLC / Cequel Capital Corp.	5.125%	12/15/21	1,935	1,843
1	Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,341	1,600
1	Columbus International Inc.	7.375%	3/30/21	1,455	1,535
	CSC Holdings LLC	7.625%	7/15/18	905	973
	CSC Holdings LLC	8.625%	2/15/19	1,345	1,480
	CSC Holdings LLC	6.750%	11/15/21	1,365	1,392
	DISH DBS Corp.	6.750%	6/1/21	3,805	3,948
	DISH DBS Corp.	5.875%	7/15/22	3,405	3,311
	DISH DBS Corp.	5.000%	3/15/23	525	478
	DISH DBS Corp.	5.875%	11/15/24	245	230
1	DISH DBS Corp.	7.750%	7/1/26	2,350	2,420
	Embarq Corp.	7.995%	6/1/36	720	720
	Frontier Communications Corp.	11.000%	9/15/25	2,030	2,106
	Gannett Co. Inc.	5.125%	7/15/20	1,995	2,060
1	Gannett Co. Inc.	4.875%	9/15/21	410	420
	Gannett Co. Inc.	6.375%	10/15/23	2,300	2,449
1	Gannett Co. Inc.	5.500%	9/15/24	65	67
1	Gray Television Inc.	5.875%	7/15/26	405	407
	Hughes Satellite Systems Corp.	6.500%	6/15/19	1,732	1,866
1	Inmarsat Finance plc	4.875%	5/15/22	1,115	1,015
	Lamar Media Corp.	5.000%	5/1/23	1,070	1,102
1	Lamar Media Corp.	5.750%	2/1/26	170	177
	Level 3 Escrow II Inc.	5.375%	8/15/22	2,515	2,540
	Level 3 Financing Inc.	5.625%	2/1/23	870	877
	Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,112
	Level 3 Financing Inc.	5.375%	1/15/24	450	453
	Level 3 Financing Inc.	5.375%	5/1/25	1,120	1,114
1	Level 3 Financing Inc.	5.250%	3/15/26	1,500	1,470
	Liberty Interactive LLC	8.500%	7/15/29	1,465	1,531
	Liberty Interactive LLC	8.250%	2/1/30	3,945	4,108
	MetroPCS Wireless Inc.	6.625%	11/15/20	2,035	2,096
	National CineMedia LLC	6.000%	4/15/22	1,095	1,136
1	NBCUniversal Enterprise Inc.	5.250%	3/29/49	1,940	1,999
	Netflix Inc.	5.500%	2/15/22	980	1,022
	Netflix Inc.	5.875%	2/15/25	2,995	3,130
1	Nielsen Finance LLC / Nielsen Finance Co.	5.000%	4/15/22	4,155	4,248
1	Numericable Group SA	6.000%	5/15/22	1,275	1,246
1	Numericable-SFR SA	7.375%	5/1/26	1,450	1,428
	Quebecor Media Inc.	5.750%	1/15/23	2,385	2,421
	Qwest Corp.	6.875%	9/15/33	481	471
	SBA Communications Corp.	4.875%	7/15/22	1,545	1,533
	Sinclair Television Group Inc.	6.125%	10/1/22	205	214
1	Sinclair Television Group Inc.	5.625%	8/1/24	115	117
1	Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,815
1	Sirius XM Radio Inc.	4.250%	5/15/20	305	310
1	Sirius XM Radio Inc.	4.625%	5/15/23	390	378
1	Sirius XM Radio Inc.	6.000%	7/15/24	1,193	1,233
1	Sirius XM Radio Inc.	5.375%	4/15/25	382	380
1	Softbank Corp.	4.500%	4/15/20	5,125	5,260

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	Sprint Capital Corp.	8.750%	3/15/32	335	285
	Sprint Corp.	7.250%	9/15/21	2,590	2,208
	Sprint Corp.	7.875%	9/15/23	4,285	3,508
	Sprint Corp.	7.125%	6/15/24	905	715
	Sprint Corp.	7.625%	2/15/25	1,215	952
1	Sprint Nextel Corp.	9.000%	11/15/18	3,785	4,022
1	Sprint Nextel Corp.	7.000%	3/1/20	3,820	4,001
	T-Mobile USA Inc.	6.633%	4/28/21	2,665	2,798
	Telecom Italia Capital SA	6.375%	11/15/33	381	380
	Telecom Italia Capital SA	6.000%	9/30/34	1,005	960
	Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,331
	Time Warner Cable Inc.	5.875%	11/15/40	60	65
	Time Warner Cable Inc.	5.500%	9/1/41	1,973	2,072
4,5	Tribune Company Bank Loan	3.750%	12/27/20	1,903	1,895
	Tribune Media Co.	5.875%	7/15/22	2,300	2,288
1	Unitymedia Hessen GmbH & Co. KG / Unitymedia NRW GmbH	5.500%	1/15/23	1,190	1,208
1	Univision Communications Inc.	5.125%	5/15/23	550	549
1	Univision Communications Inc.	5.125%	2/15/25	3,920	3,871
1	UPCB Finance V Ltd.	7.250%	11/15/21	1,233	1,286
1	UPCB Finance VI Ltd.	6.875%	1/15/22	991	1,040
	Videotron Ltd.	5.000%	7/15/22	3,053	3,160
1	Videotron Ltd.	5.375%	6/15/24	260	265
1	Virgin Media Secured Finance plc	5.375%	4/15/21	1,157	1,187
1	Virgin Media Secured Finance plc	5.500%	1/15/25	610	599
1	Virgin Media Secured Finance plc	5.500%	8/15/26	355	346
1	VTR Finance BV	6.875%	1/15/24	2,720	2,706
1	Wind Acquisition Finance SA	4.750%	7/15/20	2,185	2,136
1	Wind Acquisition Finance SA	7.375%	4/23/21	1,900	1,819
1	WMG Acquisition Corp.	6.750%	4/15/22	70	71
	Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,381
	Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,430	1,466
	Consumer Cyclical (7.6%)				
1	Activision Blizzard Inc.	6.125%	9/15/23	1,555	1,687
	American Axle & Manufacturing Inc.	6.625%	10/15/22	1,300	1,372
1	Carlson Travel Holdings Inc.	7.500%	8/15/19	525	505
1	Carlson Wagonlit BV	6.875%	6/15/19	2,440	2,529
	Cedar Fair LP / Canada's Wonderland Co. / MagnumManagement Corp.	5.375%	6/1/24	835	860
	Dana Holding Corp.	5.375%	9/15/21	557	571
	Dana Holding Corp.	5.500%	12/15/24	1,055	992
4,5	Delta Alpha Topco Bank Loan	7.750%	7/29/22	1,650	1,557
	GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	108
	GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,748
	GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,873
	Group 1 Automotive Inc.	5.000%	6/1/22	1,335	1,313
1	Group 1 Automotive Inc.	5.250%	12/15/23	1,055	1,042
1	Hanesbrands Inc.	4.625%	5/15/24	730	732
1	Hanesbrands Inc.	4.875%	5/15/26	735	737
4,5	Ion Media Networks Bank Loan	4.750%	12/18/20	1,368	1,359
	KB Home	4.750%	5/15/19	830	832
	KB Home	8.000%	3/15/20	120	129
	KB Home	7.000%	12/15/21	150	152
	KB Home	7.500%	9/15/22	215	221
	KB Home	7.625%	5/15/23	1,300	1,313
1	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	833
1	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	760	778
	L Brands Inc.	6.625%	4/1/21	1,430	1,612
4,5	La Quinta Intermediate Holdings LLC Bank Loan	3.750%	4/14/21	1,833	1,785
	Lennar Corp.	4.750%	4/1/21	740	770
	Lennar Corp.	4.875%	12/15/23	625	623
	Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,670
	Penske Automotive Group Inc.	5.750%	10/1/22	387	387
	Penske Automotive Group Inc.	5.375%	12/1/24	813	789
	Sally Holdings LLC / Sally Capital Inc.	5.750%	6/1/22	605	627
	Sally Holdings LLC / Sally Capital Inc.	5.625%	12/1/25	650	680
	Service Corp. International	8.000%	11/15/21	1,225	1,433

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Service Corp. International	5.375%	1/15/22	905	934
1	Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	450
1	Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	450
	Sonic Automotive Inc.	7.000%	7/15/22	30	32
	Sonic Automotive Inc.	5.000%	5/15/23	265	260
	Toll Brothers Finance Corp.	4.875%	11/15/25	295	292
	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.375%	3/15/22	3,705	3,733
1	ZF North America Capital Inc.	4.500%	4/29/22	470	475
1	ZF North America Capital Inc.	4.750%	4/29/25	1,725	1,725
	Consumer Noncyclical (11.5%)				
	Alere Inc.	6.500%	6/15/20	481	476
1	Alere Inc.	6.375%	7/1/23	1,135	1,180
	Amsurg Corp.	5.625%	7/15/22	2,645	2,711
	Aramark Services Inc.	5.125%	1/15/24	395	403
1	Aramark Services Inc.	5.125%	1/15/24	580	592
1	Aramark Services Inc.	4.750%	6/1/26	580	568
1	Capsugel SA	7.000%	5/15/19	1,155	1,159
	CHS/Community Health Systems Inc.	7.125%	7/15/20	1,060	983
	CHS/Community Health Systems Inc.	5.125%	8/1/21	525	522
	CHS/Community Health Systems Inc.	6.875%	2/1/22	5,455	4,773
1	Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,468
1	Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,515	2,213
1	Envision Healthcare Corp.	5.125%	7/1/22	2,806	2,820
	ExamWorks Group Inc.	5.625%	4/15/23	808	895
	Grifols Worldwide Operations Ltd.	5.250%	4/1/22	510	516
	HCA Holdings Inc.	6.250%	2/15/21	1,020	1,094
	HCA Inc.	6.500%	2/15/20	3,875	4,297
	HCA Inc.	5.875%	3/15/22	1,850	2,010
	HCA Inc.	4.750%	5/1/23	2,100	2,147
	HCA Inc.	5.875%	5/1/23	300	320
	HCA Inc.	5.375%	2/1/25	505	519
	HCA Inc.	5.250%	4/15/25	1,500	1,571
	HCA Inc.	7.690%	6/15/25	130	142
	HCA Inc.	5.875%	2/15/26	1,900	1,981
	HCA Inc.	5.250%	6/15/26	975	1,012
1	IMS Health Inc.	6.000%	11/1/20	3,136	3,191
	Kinetic Concepts Inc / KCI USA Inc	10.500%	11/1/18	2,300	2,294
1	Kinetic Concepts Inc / KCI USA Inc.	7.875%	2/15/21	1,570	1,660
4,5	Lands' End, Inc. Bank Loan	4.250%	3/12/21	3,108	2,383
	LifePoint Hospitals Inc.	5.500%	12/1/21	1,340	1,397
1	MEDNAX Inc.	5.250%	12/1/23	580	586
1	MPH Acquisition Holdings LLC	7.125%	6/1/24	295	310
1	Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	761
1	Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,500	1,519
	Tempur Sealy International Inc.	5.625%	10/15/23	375	386
	Tenet Healthcare Corp.	5.000%	3/1/19	1,560	1,509
	Tenet Healthcare Corp.	5.500%	3/1/19	785	771
	Tenet Healthcare Corp.	4.750%	6/1/20	835	855
	Tenet Healthcare Corp.	4.500%	4/1/21	932	939
	Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,502
	Tenet Healthcare Corp.	8.125%	4/1/22	2,830	2,887
	THC Escrow Corp. II	6.750%	6/15/23	595	571
1	Vizient Inc.	10.375%	3/1/24	1,935	2,066
	Energy (10.4%)				
	AmeriGas Finance LLC / AmeriGas Finance Corp.	7.000%	5/20/22	1,340	1,417
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,050	1,045
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,395	1,393
	Anadarko Petroleum Corp.	5.550%	3/15/26	145	160
	Anadarko Petroleum Corp.	6.200%	3/15/40	731	819
	Anadarko Petroleum Corp.	6.600%	3/15/46	240	290
	Antero Resources Corp.	5.375%	11/1/21	60	59
	Antero Resources Corp.	5.125%	12/1/22	1,445	1,387

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Concho Resources Inc.	7.000%	1/15/21	1,032	1,063
	Concho Resources Inc.	6.500%	1/15/22	745	765
	Concho Resources Inc.	5.500%	10/1/22	2,440	2,458
	Concho Resources Inc.	5.500%	4/1/23	1,095	1,098
	Continental Resources Inc.	5.000%	9/15/22	3,354	3,258
	Continental Resources Inc.	4.500%	4/15/23	1,015	946
	Continental Resources Inc.	3.800%	6/1/24	505	442
	Continental Resources Inc.	4.900%	6/1/44	706	588
1	DCP Midstream LLC	9.750%	3/15/19	450	490
1	DCP Midstream LLC	5.350%	3/15/20	335	325
	DCP Midstream Operating LP	2.700%	4/1/19	600	576
	DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,411
	DCP Midstream Operating LP	3.875%	3/15/23	325	294
	DCP Midstream Operating LP	5.600%	4/1/44	875	735
	Energy Transfer Equity LP	7.500%	10/15/20	2,460	2,620
	Energy Transfer Equity LP	5.500%	6/1/27	2,430	2,284
	Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,303	2,107
	Kerr-McGee Corp.	6.950%	7/1/24	985	1,139
	Kinder Morgan Inc.	7.750%	1/15/32	740	837
	Laredo Petroleum Inc.	5.625%	1/15/22	1,555	1,462
	Laredo Petroleum Inc.	7.375%	5/1/22	550	551
	Laredo Petroleum Inc.	6.250%	3/15/23	1,965	1,867
	Marathon Oil Corp.	3.850%	6/1/25	1,190	1,089
	Marathon Oil Corp.	6.800%	3/15/32	250	255
	Marathon Oil Corp.	6.600%	10/1/37	300	302
	Marathon Oil Corp.	5.200%	6/1/45	395	346
	Matador Resources Co.	6.875%	4/15/23	1,420	1,448
1	MEG Energy Corp.	6.500%	3/15/21	496	387
1	MEG Energy Corp.	6.375%	1/30/23	850	633
1	MEG Energy Corp.	7.000%	3/31/24	1,439	1,094
1	MPLX LP	4.875%	12/1/24	1,410	1,375
1	MPLX LP	4.875%	6/1/25	2,685	2,618
	Newfield Exploration Co.	5.625%	7/1/24	600	600
	QEP Resources Inc.	6.800%	3/1/20	220	221
	QEP Resources Inc.	6.875%	3/1/21	460	465
	QEP Resources Inc.	5.375%	10/1/22	235	220
	QEP Resources Inc.	5.250%	5/1/23	295	271
	Range Resources Corp.	5.750%	6/1/21	185	181
	Rice Energy Inc.	7.250%	5/1/23	800	812
1	Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,255
	SM Energy Co.	6.500%	11/15/21	100	94
	SM Energy Co.	6.125%	11/15/22	935	859
	SM Energy Co.	6.500%	1/1/23	75	69
	SM Energy Co.	5.000%	1/15/24	1,749	1,495
	SM Energy Co.	5.625%	6/1/25	496	429
1	Southern Star Central Corp.	5.125%	7/15/22	480	466
	Tesoro Corp.	5.125%	4/1/24	996	1,001
	Tesoro Logistics LP / Tesoro Logistics Finance Corp.	5.500%	10/15/19	165	172
	Tesoro Logistics LP / Tesoro Logistics Finance Corp.	6.250%	10/15/22	1,120	1,168
	Tesoro Logistics LP / Tesoro Logistics Finance Corp.	6.375%	5/1/24	770	805
	WPX Energy Inc.	6.000%	1/15/22	2,106	1,959
	WPX Energy Inc.	5.250%	9/15/24	3,104	2,732
	Technology (8.5%)				
	Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,389
	Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,500	2,613
	CDW LLC / CDW Finance Corp.	6.000%	8/15/22	3,865	4,029
	CDW LLC / CDW Finance Corp.	5.000%	9/1/23	730	734
	CDW LLC / CDW Finance Corp.	5.500%	12/1/24	485	501
	Equinix Inc.	5.375%	4/1/23	680	697
1	First Data Corp.	5.375%	8/15/23	2,265	2,293
1	First Data Corp.	7.000%	12/1/23	5,565	5,648
1	First Data Corp.	5.000%	1/15/24	1,500	1,504
1	First Data Corp.	5.750%	1/15/24	3,751	3,713
4,5	First Data Corp. Bank Loan	4.452%	3/23/18	1,302	1,297
4,5	First Data Corp. Bank Loan	4.202%	7/8/22	1,190	1,189
	Flextronics International Ltd.	4.625%	2/15/20	585	605
	Flextronics International Ltd.	5.000%	2/15/23	665	690
1	Infor Software Parent LLC	7.125%	5/1/21	170	150
	Infor US Inc.	6.500%	5/15/22	3,060	2,915
1,6	Iron Mountain Europe plc	6.125%	9/15/22	755	1,009
	Iron Mountain Inc.	5.750%	8/15/24	825	829
1	MSCI Inc.	5.250%	11/15/24	150	153
1	MSCI Inc.	5.750%	8/15/25	1,560	1,628
	NCR Corp.	4.625%	2/15/21	2,375	2,339
	NCR Corp.	5.875%	12/15/21	145	148
	NCR Corp.	6.375%	12/15/23	455	464
	Nokia Oyj	6.625%	5/15/39	1,765	1,866
1	NXP BV / NXP Funding LLC	3.750%	6/1/18	1,190	1,217
1	NXP BV / NXP Funding LLC	4.125%	6/15/20	545	553
1	NXP BV / NXP Funding LLC	4.625%	6/15/22	1,080	1,085
1	NXP BV / NXP Funding LLC	5.750%	3/15/23	255	266
1	NXP BV / NXP Funding LLC	4.625%	6/1/23	1,035	1,053
1	Open Text Corp.	5.625%	1/15/23	970	992
1	Sensata Technologies BV	5.625%	11/1/24	70	72
1	Sensata Technologies BV	5.000%	10/1/25	1,500	1,498
1	Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,566
	SS&C Technologies Holdings Inc.	5.875%	7/15/23	890	912
	Transportation (1.9%)				
1	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.125%	6/1/22	1,876	1,787
	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,028	2,003
1	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	580	574
2	Continental Airlines 2007-1 Class B Pass Through Trust	6.903%	4/19/22	354	372
	Hertz Corp.	4.250%	4/1/18	390	396
	Hertz Corp.	6.750%	4/15/19	2,000	2,038
	Hertz Corp.	5.875%	10/15/20	1,330	1,363
	Hertz Corp.	7.375%	1/15/21	2,230	2,302
					457,954
	Utilities (3.1%)				
	Electric (3.1%)				
	AES Corp.	8.000%	6/1/20	815	952
	AES Corp.	4.875%	5/15/23	600	588
	AES Corp.	5.500%	3/15/24	3,706	3,799
	Calpine Corp.	5.375%	1/15/23	1,025	999
1	Calpine Corp.	5.875%	1/15/24	285	296
	Calpine Corp.	5.750%	1/15/25	3,800	3,691
	GenOn Energy Inc.	7.875%	6/15/17	575	483
	GenOn Energy Inc.	9.500%	10/15/18	1,800	1,431
	GenOn Energy Inc.	9.875%	10/15/20	745	538
	NRG Energy Inc.	7.875%	5/15/21	190	197
	NRG Energy Inc.	6.250%	7/15/22	1,544	1,502
	NRG Energy Inc.	6.625%	3/15/23	300	295
	NRG Energy Inc.	6.250%	5/1/24	1,416	1,345
1	NRG Energy Inc.	7.250%	5/15/26	1,425	1,418
					17,534
	Total Corporate Bonds (Cost $537,810)				**535,273**

		Coupon		Shares	Market Value• ($000)
	Preferred Stocks (0.4%)				
	Hartford Financial Services Group Inc. Pfd. **(Cost $1,588)**	7.875%		63,500	**2,002**
	Other (0.0%)				
*	MediaNews Group Inc. Warrants Exp. 03/19/2017 **(Cost $778)**			2,084	**44**

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Temporary Cash Investment (1.9%)				
Repurchase Agreement (1.9%)				
Bank of America Securities, LLC (Dated 6/30/16, Repurchase Value $10,800,000, collateralized by Government National Mortgage Assn. 4.500%, 4/20/44, with a value of $11,016,000) **(Cost $10,800)**	0.440%	7/1/16	10,800	**10,800**
Total Investments (98.9%) (Cost $560,298)				**557,453**

	Amount ($000)
Other Assets and Liabilities (1.1%)	
Other Assets	
Investment in Vanguard	46
Receivables for Investment Securities Sold	736
Receivables for Accrued Income	8,217
Receivables for Capital Shares Issued	201
Other Assets	158
Total Other Assets	**9,358**
Liabilities	
Payables for Investment Securities Purchased	(1,218)
Payables to Investment Advisor	(82)
Payables for Capital Shares Redeemed	(722)
Payables to Vanguard	(816)
Other Liabilities	(56)
Total Liabilities	**(2,894)**
Net Assets (100%)	
Applicable to 74,285,034 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**563,917**
Net Asset Value Per Share	**$7.59**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	566,688
Undistributed Net Investment Income	13,947
Accumulated Net Realized Losses	(13,824)
Unrealized Appreciation (Depreciation)	
Investment Securities	(2,845)
Forward Currency Contracts	(47)
Foreign Currencies	(2)
Net Assets	**563,917**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, the aggregate value of these securities was $179,821,000, representing 31.9% of net assets.

2 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

3 Face amount denominated in euro.

4 Adjustable-rate security.

5 Security is a senior, secured, high-yield floating-rate loan. These loans are debt obligations issued by public and private companies and are comparable to high-yield bonds from a ratings and leverage perspective. At June 30, 2016, the aggregate value of these securities was $13,821,000, representing 2.5% of net assets.

6 Face amount denominated in British pounds.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	68
Interest	15,319
Total Income	15,387
Expenses	
Investment Advisory Fees—Note B	160
The Vanguard Group—Note C	
Management and Administrative	514
Marketing and Distribution	51
Custodian Fees	11
Shareholders' Reports	8
Total Expenses	744
Net Investment Income	**14,643**
Realized Net Gain (Loss)	
Investment Securities Sold	(13,508)
Swap Contracts	189
Foreign Currencies and Forward Currency Contracts	119
Realized Net Gain (Loss)	**(13,200)**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	28,869
Swap Contracts	51
Foreign Currencies and Forward Currency Contracts	(112)
Change in Unrealized Appreciation (Depreciation)	**28,808**
Net Increase (Decrease) in Net Assets Resulting from Operations	**30,251**

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	14,643	29,362
Realized Net Gain (Loss)	(13,200)	(254)
Change in Unrealized Appreciation (Depreciation)	28,808	(37,925)
Net Increase (Decrease) in Net Assets Resulting from Operations	30,251	(8,817)
Distributions		
Net Investment Income	(29,106)	(27,866)
Realized Capital Gain[1]	—	(856)
Total Distributions	(29,106)	(28,722)
Capital Share Transactions		
Issued	56,270	98,465
Issued in Lieu of Cash Distributions	29,106	28,722
Redeemed	(43,235)	(102,606)
Net Increase (Decrease) from Capital Share Transactions	42,141	24,581
Total Increase (Decrease)	43,286	(12,958)
Net Assets		
Beginning of Period	**520,631**	**533,589**
End of Period[2]	**563,917**	**520,631**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $0 and $0, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $13,947,000 and $28,155,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$7.59**	**$8.14**	**$8.24**	**$8.33**	**$7.72**	**$7.78**
Investment Operations						
Net Investment Income	.197	.427	.416	.458	.420	.516
Net Realized and Unrealized Gain (Loss) on Investments	.226	(.541)	(.061)	(.108)	.641	.004
Total from Investment Operations	.423	(.114)	.355	.350	1.061	.520
Distributions						
Dividends from Net Investment Income	(.423)	(.423)	(.455)	(.440)	(.451)	(.580)
Distributions from Realized Capital Gains	—	(.013)	—	—	—	—
Total Distributions	(.423)	(.436)	(.455)	(.440)	(.451)	(.580)
Net Asset Value, End of Period	**$7.59**	**$7.59**	**$8.14**	**$8.24**	**$8.33**	**$7.72**
Total Return	**5.78%**	**-1.58%**	**4.40%**	**4.35%**	**14.30%**	**6.93%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$564	$521	$534	$509	$546	$397
Ratio of Total Expenses to Average Net Assets	0.28%	0.28%	0.29%	0.29%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.52%	5.41%	5.24%	5.51%	6.10%	6.85%
Portfolio Turnover Rate	32%	38%	35%	37%	29%	37%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard High Yield Bond Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Bonds and temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Other temporary cash investments are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Forward Currency Contracts: The portfolio enters into forward currency contracts to protect the value of securities and related receivables and payables against changes in future foreign exchange rates. The portfolio's risks in using these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the ability of the counterparties to fulfill their obligations under the contracts. The portfolio mitigates its counterparty risk by entering into forward currency contracts only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. The master netting arrangements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate the forward currency contracts, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The forward currency contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio's net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any assets pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the forward currency contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

Forward currency contracts are valued at their quoted daily prices obtained from an independent third party, adjusted for currency risk based on the expiration date of each contract. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized forward currency contract gains (losses).

During the six months ended June 30, 2016, the portfolio's average investment in forward currency contracts represented 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. Swap Contracts: The portfolio invests in credit default swaps to adjust the overall credit risk of the portfolio or to actively overweight or underweight credit risk to a specific issuer or group of issuers. The portfolio may sell credit protection through credit default swaps to simulate investments in long positions that are either unavailable or considered to be less attractively priced in the bond market. The portfolio may purchase credit protection through credit default swaps to reduce credit exposure to a given issuer or issuers. Under the terms of the swaps, an up-front payment may be exchanged between the seller and buyer. In addition, the seller of the credit protection receives a periodic payment of premium from the buyer that is a fixed percentage applied to a notional amount. If, for example, the reference entity is subject to a credit event (such as bankruptcy, failure to pay, or obligation acceleration) during the term of the swap, the seller agrees to either physically settle or cash settle the swap contract. If the swap is physically settled, the seller agrees to pay the buyer an amount equal to the notional amount and take delivery of a debt instrument of the reference issuer with a par amount equal to such notional amount. If the swap is cash settled, the seller agrees to pay the buyer the difference between the notional amount and the final price for the relevant debt instrument, as determined either in a market auction or pursuant to a pre-agreed-upon valuation procedure.

The notional amounts of swap contracts are not recorded in the Statement of Net Assets. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the seller of credit protection is required to take delivery (or, in a cash settled swap, pay the settlement amount determined) upon occurrence of a credit event, periodic payments are made, or the swap terminates, at which time realized gain (loss) is recorded. The net premium to be received or paid by the portfolio under swap contracts is accrued daily and recorded as realized gain (loss) over the life of the contract.

The primary risk associated with selling credit protection is that, upon the occurrence of a defined credit event, the market value of the debt instrument received by the portfolio (or, in a cash settled swap, the debt instruments used to determine the settlement payment by the portfolio) will be significantly less than the amount paid by the portfolio and, in a physically settled swap, the portfolio may receive an illiquid debt instrument. A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the portfolio. The portfolio's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The portfolio mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the event of a counterparty's default (including bankruptcy), the portfolio may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio's net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any securities pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

The portfolio enters into centrally cleared credit default swaps to achieve the same objectives specified with respect to the equivalent over-the-counter swaps but with less counterparty risk because a regulated clearinghouse is the counterparty instead of the clearing broker or executing broker. The clearinghouse imposes initial margin requirements to secure the portfolio's performance, and requires daily settlement of variation margin representing changes in the market value of each contract. To further mitigate counterparty risk, the portfolio trades with a diverse group of prequalified executing brokers; monitors the financial strength of its clearing brokers, executing brokers, and clearinghouse; and has entered into agreements with its clearing brokers and executing brokers.

During the six months ended June 30, 2016, the portfolio's average amounts of investments in credit protection sold and credit protection purchased swaps represented less than 1% and 0% of net assets, respectively, based on the average of notional amounts at each quarter-end during the period. The portfolio had no open swap contracts at June 30, 2016.

5. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

6. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

7. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

8. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

9. Other: Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the six months ended June 30, 2016, the investment advisory fee represented an effective annual rate of 0.06% of the portfolio's average net assets.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $46,000, representing 0.01% of the portfolio's net assets and 0.02% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
U.S. Government and Agency Obligations	—	9,334	—
Corporate Bonds	—	535,273	—
Preferred Stocks	—	2,002	—
Other	—	—	44
Temporary Cash Investments	—	10,800	—
Forward Currency Contracts—Liabilities	—	(47)	—
Total	—	557,362	44

E. Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2016, were:

Realized Net Gain (Loss) on Derivatives	Currency Contracts ($000)	Credit Contracts ($000)	Total ($000)
Forward Currency Contracts	117	—	117
Swap Contracts	—	189	189
Realized Net Gain (Loss) on Derivatives	117	189	306
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	(111)	—	(111)
Swap Contracts	—	51	51
Change in Unrealized Appreciation (Depreciation) on Derivatives	(111)	51	(60)

At June 30, 2016, the portfolio had open forward currency contracts to receive and deliver currencies as follows. Unrealized appreciation (depreciation) on open forward currency contracts is treated as ordinary income for tax purposes.

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) ($000)
		Receive		Deliver		
J.P. Morgan Securities, Inc.	7/29/16	USD	5,197	EUR	4,710	(36)
BNP Paribas	7/29/16	USD	1,016	GBP	771	(11)
						(47)

EUR—Euro.
GBP—British pound.
USD—U.S. dollar.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the six months ended June 30, 2016, the portfolio realized net foreign currency gains of $161,000 (including gains and losses on forward currency contracts and the foreign currency component on sales of foreign currency denominated bonds), which increased distributable net income for tax purposes; accordingly, such gains have been reclassified from accumulated net realized losses to undistributed net investment income.

Realized and unrealized gains (losses) on certain of the portfolio's swap contracts are treated as ordinary income (loss) for tax purposes; the effect on the portfolio's income dividends to shareholders is offset by a change in principal return. Realized gains of $94,000 on swap contracts have been reclassified from accumulated net realized losses to undistributed net investment income.

The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at December 31, 2015, the portfolio had available capital losses totaling $167,000 that may be carried forward indefinitely to offset future net capital gains. The portfolio will use these capital losses to offset net taxable capital gains, if any, realized during the year ending December 31, 2016; should the portfolio realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At June 30, 2016, the cost of investment securities for tax purposes was $560,298,000. Net unrealized depreciation of investment securities for tax purposes was $2,845,000, consisting of unrealized gains of $11,247,000 on securities that had risen in value since their purchase and $14,092,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $109,577,000 of investment securities and sold $78,933,000 of investment securities, other than U.S. government securities and temporary cash investments. There were no purchases and sales of U.S. government securities.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	7,501	12,410
Issued in Lieu of Cash Distributions	3,976	3,659
Redeemed	(5,785)	(13,025)
Net Increase (Decrease) in Shares Outstanding	5,692	3,044

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 57% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

High Yield Bond Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,057.79	$1.43
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.47	1.41

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.28%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund High Yield Bond Portfolio has renewed the portfolio's investment advisory arrangement with Wellington Management Company LLP (Wellington Management). The board determined that renewing the portfolio's advisory arrangement was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional investment managers. The portfolio manager is supported by a dedicated team of high-yield and bank loan analysts who conduct in-depth credit research on the universe of high-yield issuers, seeking to identify issuers with stable or improving business prospects and attractive yields. Wellington Management focuses on higher-quality bonds, as it believes that these issues offer a more attractive risk/return trade-off over the long term than lower-rated bonds within the high-yield universe. Wellington Management seeks to maintain credit quality and diversification guidelines in order to minimize the risk of potential defaults. Wellington Management has advised the portfolio since its inception in 1996.

The board concluded that the advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the negotiated advisory fee rate without any need for asset-level breakpoints. The advisory fee rate is very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.
2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

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Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Vanguard Marketing Corporation, Distributor.

Q692HY 082016

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Mid-Cap Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Mid-Cap Index Portfolio

Vanguard Mid-Cap Index Portfolio returned 3.48% for the six months ended June 30, 2016, as U.S. stocks finished the half year with solid gains despite significant volatility. The portfolio's performance was in line with its benchmark index (+3.52%) but behind the average return of peer funds (+4.62%).

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Sectors with double-digit gains were among the top contributors

Seven of the ten industry sectors represented in the portfolio advanced, with three posting double-digit gains.

One of the smaller sectors, utilities (+30%), made an outsized contribution. The sector is often viewed as a safer one, and its outperformance reflected the caution many investors felt during the period. It delivers stable, steady dividend yields, which tend to be attractive to those seeking income at a time when bond yields are historically low and stock volatility is high.

Consumer goods and industrials were also notable contributors. Within the first sector, food, household product, and home construction companies were among the leaders. Home construction benefited from the continued recovery of the housing market. The same dynamic was seen among industrials, where construction and materials firms did particularly well. Engineering and transportation companies also outperformed.

Meanwhile, oil and natural gas prices bounced back over the past few months, helping oil and gas producers. As a result, the oil and gas sector returned about 15%.

Financials recorded mixed results, with only a 1% return. Lower long-term interest rates have hurt banks, financial services, and insurance firms, which all lost more than 7%. On the other hand, real estate investment trusts (REITs) rose sharply, more than making up for those losses.

REITs climbed as investors gravitated to assets that generate regular income; REITs are required to pay out at least 90% of their income as investment dividends. Falling interest rates can also benefit REITs, because lower capital costs can help their profit margins, particularly in a growing economy.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Mid-Cap Index Portfolio	3.48%
CRSP US Mid Cap Index	3.52
Variable Insurance Mid-Cap Core Funds Average[1]	4.62

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Multi-Cap Core Funds Average
Mid-Cap Index Portfolio	0.19%	0.78%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.19%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	342	343	3,863
Median Market Cap	$11.1B	$11.1B	$53.0B
Price/Earnings Ratio	26.5x	25.8x	22.0x
Price/Book Ratio	2.6x	2.6x	2.7x
Yield[3]	1.4%	1.6%	2.1%
Return on Equity	15.6%	15.2%	16.5%
Earnings Growth Rate	10.4%	10.4%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	24%	—	—
Expense Ratio[5]	0.19%	—	—
Short-Term Reserves	0.0%	—	—

Volatility Measures

	Portfolio Versus Spliced Target Index[6]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.94
Beta	1.00	1.02

Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Basic Materials	4.4%	4.4%	2.4%
Consumer Goods	14.2	14.2	10.7
Consumer Services	12.5	12.5	13.6
Financials	19.4	19.5	18.6
Health Care	8.4	8.4	13.4
Industrials	17.0	17.0	12.6
Oil & Gas	5.4	5.4	6.7
Technology	11.7	11.6	15.7
Telecommunications	1.2	1.2	2.6
Utilities	5.8	5.8	3.7

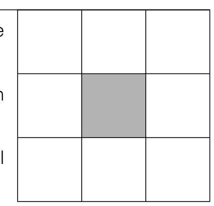
Ten Largest Holdings[7] (% of total net assets)

Equinix Inc.	Specialty REITs	0.9%
Fiserv Inc.	Financial Administration	0.8
Fidelity National Information Services Inc.	Financial Administration	0.8
NVIDIA Corp.	Semiconductors	0.8
Newell Brands Inc.	Durable Household Products	0.8
Ross Stores Inc.	Apparel Retailers	0.7
Electronic Arts Inc.	Toys	0.7
Edwards Lifesciences Corp.	Medical Supplies	0.7
Dollar Tree Inc.	Specialty Retailers	0.7
ConAgra Foods Inc.	Food Products	0.7
Top Ten		7.6%

Investment Focus

Style Value Blend Growth

Market Cap Large Medium Small



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

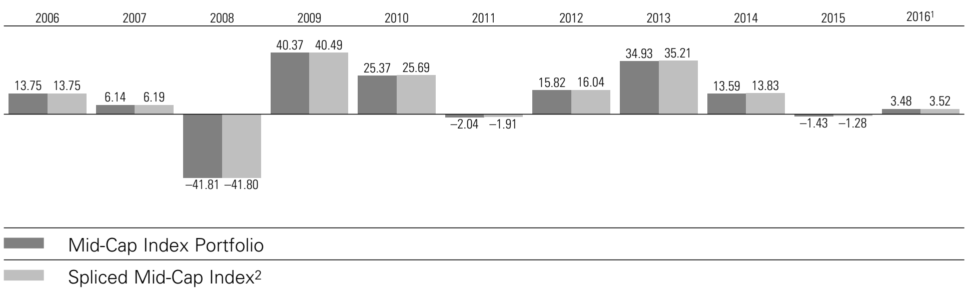
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 CRSP US Mid Cap Index.
2 Dow Jones U.S. Total Stock Market Float Adjusted Index.
3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.
4 Annualized.
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.19%.
6 Spliced Mid-Cap Index: MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.
7 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Mid-Cap Index Portfolio	2/9/1999	–1.00%	10.42%	7.68%

1 Six months ended June 30, 2016.
2 MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets
As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

		Shares	Market Value• ($000)
	Common Stocks (100.2%)[1]		
	Basic Materials (4.4%)		
	Newmont Mining Corp.	240,764	9,419
	Freeport-McMoRan Inc.	511,454	5,698
	Alcoa Inc.	596,840	5,533
	International Flavors & Fragrances Inc.	36,133	4,555
	Celanese Corp. Class A	66,991	4,384
	Eastman Chemical Co.	63,737	4,328
	Mosaic Co.	158,850	4,159
	Albemarle Corp.	50,964	4,042
	Ashland Inc.	28,089	3,224
	Avery Dennison Corp.	40,412	3,021
	FMC Corp.	60,512	2,802
	CF Industries Holdings Inc.	105,330	2,538
	Reliance Steel & Aluminum Co.	31,056	2,388
	WR Grace & Co.	31,916	2,336
*	Axalta Coating Systems Ltd.	75,576	2,005
	Westlake Chemical Corp.	17,702	760
			61,192
	Consumer Goods (14.2%)		
	Newell Brands Inc.	216,908	10,535
*	Electronic Arts Inc.	133,328	10,101
	ConAgra Foods Inc.	198,112	9,472
	Tyson Foods Inc. Class A	136,433	9,112
	Dr Pepper Snapple Group Inc.	84,348	8,151
	Clorox Co.	58,697	8,123
	Molson Coors Brewing Co. Class B	79,224	8,012
	JM Smucker Co.	51,680	7,877
	Genuine Parts Co.	64,501	6,531
	Church & Dwight Co. Inc.	58,301	5,999
	Whirlpool Corp.	34,537	5,755
	McCormick & Co. Inc.	52,342	5,583
*	Mohawk Industries Inc.	28,579	5,423
	Coach Inc.	126,239	5,143
	DR Horton Inc.	159,909	5,034
	Mattel Inc.	154,586	4,837
	Hormel Foods Corp.	120,334	4,404
	Hanesbrands Inc.	171,416	4,308
	Hasbro Inc.	50,969	4,281
	Snap-on Inc.	26,471	4,178
*	LKQ Corp.	125,355	3,974
	Delphi Automotive plc	62,010	3,882
*	Michael Kors Holdings Ltd.	77,105	3,815
	Lennar Corp. Class A	82,413	3,799
	Bunge Ltd.	63,319	3,745
	Harley-Davidson Inc.	81,910	3,710
	PVH Corp.	36,747	3,463
	Lear Corp.	33,381	3,397
*,^	Under Armour Inc. Class A	83,170	3,338
*	lululemon athletica Inc.	43,428	3,208
*	Under Armour Inc.	84,192	3,065
*	NVR Inc.	1,683	2,996
	BorgWarner Inc.	98,508	2,908
	PulteGroup Inc.	141,423	2,756
	Leucadia National Corp.	147,422	2,555
	Ralph Lauren Corp. Class A	25,819	2,314
	Harman International Industries Inc.	32,127	2,307
	Polaris Industries Inc.	27,806	2,273
*	Edgewell Personal Care Co.	26,875	2,268
*	WABCO Holdings Inc.	24,312	2,226
*	WhiteWave Foods Co. Class A	39,977	1,876
	Goodyear Tire & Rubber Co.	60,110	1,542
	Pilgrim's Pride Corp.	28,522	727
^	Coty Inc. Class A	22,636	588
	Lennar Corp. Class B	4,820	180
			199,771
	Consumer Services (12.5%)		
	Ross Stores Inc.	182,353	10,338
*	Dollar Tree Inc.	101,624	9,577
	Nielsen Holdings plc	155,549	8,084
*	Ulta Salon Cosmetics & Fragrance Inc.	27,000	6,578
	Expedia Inc.	52,618	5,593
	Tractor Supply Co.	60,569	5,523
*	Chipotle Mexican Grill Inc. Class A	13,253	5,338
	Royal Caribbean Cruises Ltd.	78,173	5,249
	Advance Auto Parts Inc.	31,744	5,131
*	MGM Resorts International	218,038	4,934
	Whole Foods Market Inc.	145,731	4,666
	Marriott International Inc. Class A	69,287	4,605
*	CarMax Inc.	87,864	4,308
	Interpublic Group of Cos. Inc.	182,650	4,219
	Best Buy Co. Inc.	125,057	3,827
	Aramark	110,287	3,686
	Wyndham Worldwide Corp.	50,645	3,607
	Darden Restaurants Inc.	54,736	3,467
	Foot Locker Inc.	61,847	3,393
	Wynn Resorts Ltd.	36,992	3,353
*	IHS Inc. Class A	28,991	3,352
	AmerisourceBergen Corp. Class A	41,508	3,292
*	TripAdvisor Inc.	51,108	3,286
	Alaska Air Group Inc.	55,774	3,251
	Kohl's Corp.	83,746	3,176
	Tiffany & Co.	48,481	2,940
	Signet Jewelers Ltd.	35,645	2,938
	Bed Bath & Beyond Inc.	66,943	2,893
*	Norwegian Cruise Line Holdings Ltd.	71,844	2,862
	Starwood Hotels & Resorts Worldwide Inc.	38,360	2,837
	FactSet Research Systems Inc.	17,555	2,834
*	Liberty SiriusXM Group Class C	91,025	2,810
*	United Continental Holdings Inc.	68,326	2,804
	News Corp. Class A	227,053	2,577
*	Discovery Communications Inc.	107,353	2,560
	Staples Inc.	292,029	2,517
*	Liberty Interactive Corp. QVC Group Class A	97,368	2,470
	Macy's Inc.	70,094	2,356
	H&R Block Inc.	101,935	2,345
	Scripps Networks Interactive Inc. Class A	36,587	2,278
	Gap Inc.	99,424	2,110
	Nordstrom Inc.	55,009	2,093
	Williams-Sonoma Inc.	36,236	1,889
*	Rite Aid Corp.	236,879	1,774
*	Discovery Communications Inc. Class A	67,993	1,716
*	AutoNation Inc.	32,671	1,535
*	Liberty SiriusXM Group Class A	43,853	1,375
*	Hertz Global Holdings Inc.	81,253	900
*	Hyatt Hotels Corp. Class A	10,524	517
			175,763
	Financials (19.5%)		
	Equinix Inc.	31,503	12,215
	Realty Income Corp.	116,972	8,113
	Hartford Financial Services Group Inc.	178,532	7,923
	Digital Realty Trust Inc.	72,385	7,889
	M&T Bank Corp.	64,999	7,685
	Willis Towers Watson plc	59,689	7,420
	Moody's Corp.	75,030	7,031
	Equifax Inc.	54,067	6,942
	Essex Property Trust Inc.	29,696	6,773
	Macerich Co.	67,421	5,757
*	Markel Corp.	6,028	5,743
	Kimco Realty Corp.	180,975	5,679
	AvalonBay Communities Inc.	31,177	5,624
	Host Hotels & Resorts Inc.	339,194	5,498
	Principal Financial Group Inc.	131,606	5,410
	Federal Realty Investment Trust	32,258	5,340
	Cincinnati Financial Corp.	70,977	5,316
	Extra Space Storage Inc.	53,998	4,997
	Regions Financial Corp.	574,830	4,892
	SL Green Realty Corp.	45,565	4,851
	First Republic Bank	67,536	4,727
	Citizens Financial Group Inc.	234,314	4,682
	Annaly Capital Management Inc.	419,732	4,646
	FNF Group	119,683	4,488
	UDR Inc.	121,323	4,479
	XL Group plc Class A	128,638	4,285
	Western Union Co.	222,940	4,276
	KeyCorp	382,295	4,224
	Lincoln National Corp.	108,146	4,193
	VEREIT Inc.	410,728	4,165

		Shares	Market Value• ($000)
*	Arch Capital Group Ltd.	52,493	3,780
*	CBRE Group Inc. Class A	136,542	3,616
*	Ally Financial Inc.	208,662	3,562
	Everest Re Group Ltd.	19,300	3,526
	Camden Property Trust	39,519	3,494
	Alexandria Real Estate Equities Inc.	33,466	3,464
	Iron Mountain Inc.	86,674	3,452
*	Affiliated Managers Group Inc.	24,426	3,438
	Unum Group	107,985	3,433
	Nasdaq Inc.	52,356	3,386
	Comerica Inc.	79,187	3,257
	Huntington Bancshares Inc.	362,672	3,242
	MSCI Inc. Class A	41,663	3,213
	Torchmark Corp.	51,852	3,206
	SEI Investments Co.	66,034	3,177
	New York Community Bancorp Inc.	210,065	3,149
	American Capital Agency Corp.	149,743	2,968
*	E*TRADE Financial Corp.	126,031	2,961
	CIT Group Inc.	91,202	2,910
	Raymond James Financial Inc.	57,572	2,838
	Reinsurance Group of America Inc. Class A	28,999	2,813
	Brixmor Property Group Inc.	97,200	2,572
	WR Berkley Corp.	41,621	2,494
	Invesco Ltd.	94,292	2,408
	Zions Bancorporation	92,493	2,324
	Axis Capital Holdings Ltd.	42,242	2,323
	Voya Financial Inc.	92,591	2,293
	People's United Financial Inc.	140,517	2,060
	Jones Lang LaSalle Inc.	20,550	2,003
*	Liberty Broadband Corp.	32,815	1,969
*	Realogy Holdings Corp.	66,491	1,930
*	Alleghany Corp.	3,321	1,825
	Lazard Ltd. Class A	58,684	1,748
	Assurant Inc.	13,964	1,205
	Navient Corp.	74,523	891
*	Liberty Broadband Corp. Class A	5,612	333
*	Santander Consumer USA Holdings Inc.	24,438	252
			272,778
	Health Care (8.4%)		
*	Edwards Lifesciences Corp.	96,170	9,591
	CR Bard Inc.	33,272	7,824
	Dentsply Sirona Inc.	106,367	6,599
*	Henry Schein Inc.	37,288	6,592
*	Laboratory Corp. of America Holdings	46,532	6,062
*	DaVita HealthCare Partners Inc.	75,011	5,800
*	Incyte Corp.	72,417	5,792
	Universal Health Services Inc. Class B	40,826	5,475
*	BioMarin Pharmaceutical Inc.	69,985	5,445
*	Centene Corp.	73,543	5,249
	Quest Diagnostics Inc.	64,200	5,226
*	Waters Corp.	34,899	4,909
*	Medivation Inc.	74,742	4,507
*	Hologic Inc.	126,605	4,380
	ResMed Inc.	63,758	4,031
*	IDEXX Laboratories Inc.	40,692	3,779
	Cooper Cos. Inc.	21,933	3,763
*	Jazz Pharmaceuticals plc	26,027	3,678
*	Varian Medical Systems Inc.	43,225	3,554
*	Mallinckrodt plc	49,412	3,003
*	Alkermes plc	68,342	2,954
*	Quintiles Transnational Holdings Inc.	38,086	2,488
*	Envision Healthcare Holdings Inc.	84,587	2,146
*	Alnylam Pharmaceuticals Inc.	32,907	1,826
	Patterson Cos. Inc.	38,008	1,820
*	Endo International plc	45,129	704
			117,197
	Industrials (17.1%)		
*	Fiserv Inc.	100,976	10,979
	Fidelity National Information Services Inc.	148,139	10,915
	Amphenol Corp. Class A	139,789	8,014
	Roper Technologies Inc.	45,989	7,844
	Vulcan Materials Co.	60,440	7,275
*	TransDigm Group Inc.	22,845	6,024
	Fastenal Co.	131,148	5,822
*	FleetCor Technologies Inc.	39,947	5,718
	WW Grainger Inc.	25,050	5,693
*	Verisk Analytics Inc. Class A	68,719	5,572
	Martin Marietta Materials Inc.	28,778	5,525
	Rockwell Collins Inc.	59,140	5,035
	Global Payments Inc.	69,961	4,994
*	Alliance Data Systems Corp.	25,354	4,967
	Acuity Brands Inc.	19,897	4,934
	AMETEK Inc.	105,946	4,898
	Dover Corp.	70,413	4,881
	CH Robinson Worldwide Inc.	64,620	4,798
	Masco Corp.	151,094	4,675
	Ball Corp.	64,398	4,655
	L-3 Communications Holdings Inc.	31,354	4,599
	WestRock Co.	114,661	4,457
*	Mettler-Toledo International Inc.	12,150	4,434
	Kansas City Southern	49,031	4,417
	Pentair plc	73,855	4,305
	Xerox Corp.	436,796	4,145
	Sealed Air Corp.	89,557	4,117
	Expeditors International of Washington Inc.	82,718	4,057
	Fortune Brands Home & Security Inc.	69,388	4,022
	Textron Inc.	109,881	4,017
*	Stericycle Inc.	38,580	4,017
*	Vantiv Inc. Class A	70,951	4,016
	Total System Services Inc.	75,026	3,985
	Cintas Corp.	38,726	3,800
	Xylem Inc.	81,240	3,627
	JB Hunt Transport Services Inc.	40,774	3,300
*	Crown Holdings Inc.	63,069	3,196
	Fluor Corp.	63,220	3,116
*	Waste Connections Inc.	39,665	2,858
*	Trimble Navigation Ltd.	113,470	2,764
*	Jacobs Engineering Group Inc.	55,438	2,761
	Wabtec Corp.	38,686	2,717
*	Sensata Technologies Holding NV	77,081	2,689
*	United Rentals Inc.	40,064	2,688
	Flowserve Corp.	58,932	2,662
	Hubbell Inc. Class B	24,950	2,631
*	Arrow Electronics Inc.	41,684	2,580
	Owens Corning	49,884	2,570
	Macquarie Infrastructure Corp.	32,735	2,424
	Avnet Inc.	58,148	2,356
	Robert Half International Inc.	56,445	2,154
	B/E Aerospace Inc.	46,461	2,145
	ManpowerGroup Inc.	32,513	2,092
	FLIR Systems Inc.	62,567	1,936
	Allison Transmission Holdings Inc.	65,518	1,850
*	First Data Corp. Class A	145,264	1,608
	AGCO Corp.	15,731	741
			239,071
	Oil & Gas (5.4%)		
*	Concho Resources Inc.	59,717	7,122
	EQT Corp.	78,430	6,073
	Marathon Oil Corp.	384,664	5,774
	National Oilwell Varco Inc.	171,172	5,760
	Cabot Oil & Gas Corp.	211,082	5,433
	Cimarex Energy Co.	43,079	5,140
	Columbia Pipeline Group Inc.	180,849	4,610
	Devon Energy Corp.	113,037	4,098
	Tesoro Corp.	54,547	4,087
*	Cheniere Energy Inc.	90,924	3,414
	Range Resources Corp.	72,926	3,146
	Helmerich & Payne Inc.	46,678	3,134
	OGE Energy Corp.	90,334	2,958
*	FMC Technologies Inc.	102,305	2,728
	Core Laboratories NV	19,867	2,461
*	Antero Resources Corp.	89,364	2,322
*	Weatherford International plc	406,596	2,257
	HollyFrontier Corp.	80,205	1,906
	Murphy Oil Corp.	36,778	1,168
	Energen Corp.	21,955	1,058
*	Continental Resources Inc.	21,265	963
			75,612
	Technology (11.7%)		
	NVIDIA Corp.	230,231	10,823
*	Cerner Corp.	138,144	8,095
	Lam Research Corp.	72,470	6,092
*	Red Hat Inc.	82,376	5,981
	Western Digital Corp.	121,393	5,737
	Symantec Corp.	277,849	5,707
	Skyworks Solutions Inc.	86,402	5,468
*	Citrix Systems Inc.	66,924	5,360
	Xilinx Inc.	115,998	5,351
*	Autodesk Inc.	96,892	5,246
	KLA-Tencor Corp.	70,736	5,181
	Linear Technology Corp.	108,540	5,050
	Harris Corp.	56,626	4,725
	Microchip Technology Inc.	92,655	4,703
*	Palo Alto Networks Inc.	38,132	4,677
*	ServiceNow Inc.	70,318	4,669
	Maxim Integrated Products Inc.	129,048	4,606
*	Akamai Technologies Inc.	75,706	4,234
	CDK Global Inc.	70,266	3,899
*	Workday Inc. Class A	50,929	3,803
*	Synopsys Inc.	68,937	3,728
	Juniper Networks Inc.	165,599	3,724
*	VeriSign Inc.	41,890	3,622
*	ANSYS Inc.	39,816	3,613
*	Gartner Inc.	35,607	3,468
*	F5 Networks Inc.	30,434	3,465
*	Qorvo Inc.	62,271	3,441
	Seagate Technology plc	135,563	3,302
*	Splunk Inc.	59,985	3,250
*	Micron Technology Inc.	234,395	3,225

	Shares	Market Value• ($000)
NetApp Inc.	130,728	3,215
Motorola Solutions Inc.	37,505	2,474
Garmin Ltd.	51,576	2,188
* Twitter Inc.	127,532	2,157
* Nuance Communications Inc.	125,965	1,969
Marvell Technology Group Ltd.	186,698	1,779
Computer Sciences Corp.	31,279	1,553
* IMS Health Holdings Inc.	52,290	1,326
* NetSuite Inc.	18,160	1,322
CSRA Inc.	36,500	855
* Premier Inc. Class A	20,732	678
		163,761
Telecommunications (1.2%)		
* Level 3 Communications Inc.	130,008	6,694
* SBA Communications Corp. Class A	57,001	6,153
Frontier Communications Corp.	530,009	2,618
* Zayo Group Holdings Inc.	54,680	1,527
		16,992
Utilities (5.8%)		
WEC Energy Group Inc.	143,298	9,357
Eversource Energy	143,956	8,623
DTE Energy Co.	81,476	8,076
American Water Works Co. Inc.	80,695	6,820
Ameren Corp.	110,200	5,905
CMS Energy Corp.	127,136	5,830
ONEOK Inc.	95,381	4,526
CenterPoint Energy Inc.	185,717	4,457
SCANA Corp.	58,456	4,423
Alliant Energy Corp.	103,146	4,095
Pinnacle West Capital Corp.	50,469	4,091
NiSource Inc.	145,949	3,871
AES Corp.	299,102	3,733
Entergy Corp.	40,595	3,302
* Calpine Corp.	162,267	2,393
Avangrid Inc.	27,916	1,286
		80,788
Total Common Stocks (Cost $1,163,948)		**1,402,925**

	Shares	Market Value• ($000)
Temporary Cash Investments (0.3%)[1]		
Money Market Fund (0.3%)		
[2,3] Vanguard Market Liquidity Fund, 0.538%	4,123,327	4,123
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[4,5] Federal Home Loan Bank Discount Notes, 0.486%–0.496%, 8/24/16	300	300
Total Temporary Cash Investments (Cost $4,423)		**4,423**
Total Investments (100.5%) (Cost $1,168,371)		**1,407,348**

	Amount ($000)
Other Assets and Liabilities (-0.5%)	
Other Assets	
Investment in Vanguard	115
Receivables for Investment Securities Sold	1,313
Receivables for Accrued Income	1,425
Receivables for Capital Shares Issued	242
Other Assets	60
Total Other Assets	**3,155**
Liabilities	
Payables for Investment Securities Purchased	(6,652)
Collateral for Securities on Loan	(889)
Payables for Capital Shares Redeemed	(1,024)
Payables to Vanguard	(1,185)
Other Liabilities	(25)
Total Liabilities	**(9,775)**
Net Assets (100%)	
Applicable to 71,241,916 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,400,728**
Net Asset Value Per Share	**$19.66**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,129,656
Undistributed Net Investment Income	7,237
Accumulated Net Realized Gains	24,840
Unrealized Appreciation (Depreciation)	
Investment Securities	238,977
Futures Contracts	18
Net Assets	**1,400,728**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $867,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.4% and 0.1%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes $889,000 of collateral received for securities on loan.

4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

5 Securities with a value of $200,000 have been segregated as initial margin for open futures contracts.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	9,842
Interest[1]	7
Securities Lending	152
Total Income	10,001
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	129
Management and Administrative	937
Marketing and Distribution	134
Custodian Fees	37
Shareholders' Reports	19
Total Expenses	1,256
Net Investment Income	**8,745**
Realized Net Gain (Loss)	
Investment Securities Sold	24,309
Futures Contracts	585
Realized Net Gain (Loss)	**24,894**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	12,090
Futures Contracts	18
Change in Unrealized Appreciation (Depreciation)	**12,108**
Net Increase (Decrease) in Net Assets Resulting from Operations	**45,747**

1 Interest income from an affiliated company of the portfolio was $6,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	8,745	19,073
Realized Net Gain (Loss)	24,894	94,508
Change in Unrealized Appreciation (Depreciation)	12,108	(135,451)
Net Increase (Decrease) in Net Assets Resulting from Operations	45,747	(21,870)
Distributions		
Net Investment Income	(18,997)	(16,326)
Realized Capital Gain[1]	(94,466)	(73,163)
Total Distributions	(113,463)	(89,489)
Capital Share Transactions		
Issued	85,420	225,446
Issued in Lieu of Cash Distributions	113,463	89,489
Redeemed	(93,829)	(203,732)
Net Increase (Decrease) from Capital Share Transactions	105,054	111,203
Total Increase (Decrease)	37,338	(156)
Net Assets		
Beginning of Period	**1,363,390**	**1,363,546**
End of Period[2]	**1,400,728**	**1,363,390**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $0 and $2,315,000, respectively. Short-term gain distributions are treated as ordinary income for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $7,237,000 and $17,489,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$20.76	$22.49	$20.77	$16.13	$14.49	$14.93
Investment Operations						
Net Investment Income	.128	.291	.266	.203	.205	.172
Net Realized and Unrealized Gain (Loss) on Investments	.516	(.552)	2.446	5.262	2.071	(.462)
Total from Investment Operations	.644	(.261)	2.712	5.465	2.276	(.290)
Distributions						
Dividends from Net Investment Income	(.292)	(.268)	(.200)	(.200)	(.178)	(.150)
Distributions from Realized Capital Gains	(1.452)	(1.201)	(.792)	(.625)	(.458)	—
Total Distributions	(1.744)	(1.469)	(.992)	(.825)	(.636)	(.150)
Net Asset Value, End of Period	$19.66	$20.76	$22.49	$20.77	$16.13	$14.49
Total Return	3.48%	-1.43%	13.59%	34.93%	15.82%	-2.04%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,401	$1,363	$1,364	$1,172	$820	$750
Ratio of Total Expenses to Average Net Assets	0.19%	0.19%	0.24%	0.25%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	1.39%	1.35%	1.29%	1.15%	1.30%	1.11%
Portfolio Turnover Rate	24%	23%	16%	35%	23%	27%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Mid-Cap Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The portfolio may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counter-parties. The master securities lending agreements provide that, in the event of a counterparty's

default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $115,000, representing 0.01% of the portfolio's net assets and 0.05% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,402,925	—	—
Temporary Cash Investments	4,123	300	—
Futures Contracts—Assets[1]	60	—	—
Total	1,407,108	300	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

			($000)	
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini S&P Mid-Cap 400 Index	September 2016	21	3,135	18

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,168,371,000. Net unrealized appreciation of investment securities for tax purposes was $238,977,000, consisting of unrealized gains of $314,764,000 on securities that had risen in value since their purchase and $75,787,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2016, the portfolio purchased $162,884,000 of investment securities and sold $158,907,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	4,419	10,312
Issued in Lieu of Cash Distributions	6,032	4,130
Redeemed	(4,873)	(9,404)
Net Increase (Decrease) in Shares Outstanding	5,578	5,038

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 47% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

• **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

• **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Mid-Cap Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,034.82	$0.96
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.92	0.96

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.19%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Mid-Cap Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.
2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Vanguard®

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

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This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Q692MC 082016

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

REIT Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® REIT Index Portfolio

Real estate investment trusts recorded strong gains for the six months ended June 30, 2016, as investors bid up the prices of assets with regular income. Vanguard REIT Index Portfolio returned 13.42%, within range of its target index (+13.56%) and ahead of the average return of competing funds (+11.20%).

The table below shows the returns of your portfolio and its comparative standards for the period.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Yield-hungry investors helped restart REIT rally

Bond yields fell and prices rose both in the U.S. bond market and in many international markets as a combination of economic trends and monetary policies exerted downward pressure on interest rates. As a result, investors gravitated toward assets that generate regular income, including REITs, which are required to pay out at least 90% of their income as dividends to investors. Falling rates can also benefit REITs because lower capital costs can help their profit margins, particularly in a growing economy.

All subsets of the REIT market posted positive returns, most by double digits. The highest return came from industrial REITs. Although the subsector is the second-smallest in the REIT arena, it had an outsize impact with its 22% return. These REITs were helped by the expansion of warehouse and distribution centers needed to accommodate the growth in U.S. online sales.

Other outperforming subsectors included specialized (+21%), diversified (+20%), and health care REITs (+16%). Specialized REITs include storage facilities, which remain a growth business. Health care REITs were helped by the expectation that expanded insurance coverage for an aging U.S. population would continue to increase demand for health care services.

The largest subsector, retail REITs, also returned about 16% and had the largest impact on the portfolio's overall performance. Consumer spending continued at a modest clip, and demand for commercial real estate has remained healthy; this caused vacancies to fall and rents to rise, bolstering the retail REIT market.

Subpar results were seen in three subsectors: office (+6%), residential (+5%), and hotel and resort REITs (+3%). Hotel and resort REITs have been hindered by concerns about slowing growth and increasing competition from online home-sharing services. Also, their income stream is not as stable as those of office or retail REITs.

Total Returns

	Six Months Ended June 30, 2016
Vanguard REIT Index Portfolio	13.42%
MSCI US REIT Index	13.56
Variable Insurance Real Estate Funds Average[1]	11.20

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Real Estate Funds Average
REIT Index Portfolio	0.27%	1.10%

INDEXED TO MSCI

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.27%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	150	150	3,863
Median Market Cap	$11.7B	$11.7B	$53.0B
Price/Earnings Ratio	35.8x	35.8x	22.0x
Price/Book Ratio	2.6x	2.6x	2.7x
Dividend Yield[3]	3.7%	3.7%	2.1%
Return on Equity	8.1%	8.1%	16.5%
Earnings Growth Rate	18.6%	18.6%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	17%	—	—
Expense Ratio[5]	0.27%	—	—
Short-Term Reserves	0.2%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.18
Beta	1.00	0.57

Portfolio Allocation by REIT Type

Retail	24.8%
Specialized	17.3
Residential	15.3
Health Care	12.4
Office	12.1
Diversified	7.3
Industrial	5.9
Hotel & Resort	4.9

Ten Largest Holdings[6] (% of total net assets)

Simon Property Group Inc.	Retail REITs	8.0%
Public Storage	Specialized REITs	4.5
Welltower Inc.	Health Care REITs	3.2
Equinix Inc.	Specialized REITs	3.2
Prologis Inc.	Industrial REITs	3.1
Equity Residential	Residential REITs	3.0
AvalonBay Communities Inc.	Residential REITs	2.9
Ventas Inc.	Health Care REITs	2.9
Boston Properties Inc.	Office REITs	2.4
Realty Income Corp.	Retail REITs	2.1
Top Ten		35.3%

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a portfolio). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a portfolio, the dividend yield is based solely on stock holdings and does not include any income produced by other investments.

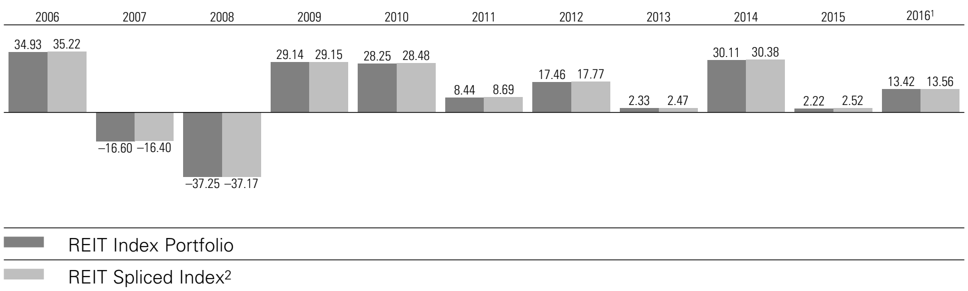
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 MSCI US REIT Index.
2 Dow Jones U.S. Total Stock Market Float Adjusted Index.
3 This dividend yield may include some payments that represent a return of capital, capital gains distribution, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.
4 Annualized.
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.27%.
6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
REIT Index Portfolio	2/9/1999	23.75%	12.25%	7.35%

1 Six months ended June 30, 2016.
2 MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Real Estate Investment Trusts (99.9%)		
Diversified REITs (7.3%)		
VEREIT Inc.	1,153,019	11,692
WP Carey Inc.	133,343	9,257
Spirit Realty Capital Inc.	638,328	8,151
Liberty Property Trust	196,549	7,807
Forest City Realty Trust Inc. Class A	323,262	7,212
STORE Capital Corp.	203,789	6,002
Gramercy Property Trust	562,921	5,190
Washington REIT	97,603	3,071
Empire State Realty Trust Inc.	160,516	3,048
PS Business Parks Inc.	27,138	2,879
Lexington Realty Trust	283,176	2,863
NorthStar Realty Finance Corp.	246,537	2,818
Cousins Properties Inc.	268,650	2,794
Select Income REIT	89,783	2,333
American Assets Trust Inc.	45,838	1,945
Global Net Lease Inc.	227,130	1,806
Investors Real Estate Trust	162,231	1,050
First Potomac Realty Trust	79,104	728
Whitestone REIT	35,576	536
One Liberty Properties Inc.	16,517	394
RAIT Financial Trust	120,623	377
Winthrop Realty Trust	40,735	358
		82,311
Health Care REITs (12.4%)		
Welltower Inc.	476,640	36,306
Ventas Inc.	451,060	32,846
HCP Inc.	624,792	22,105
Omega Healthcare Investors Inc.	252,667	8,578
Senior Housing Properties Trust	318,698	6,639
Healthcare Trust of America Inc. Class A	175,437	5,674
Healthcare Realty Trust Inc.	143,899	5,035
Medical Properties Trust Inc.	317,224	4,825
National Health Investors Inc.	51,347	3,856
Physicians Realty Trust	176,203	3,702
Care Capital Properties Inc.	112,303	2,943
LTC Properties Inc.	50,400	2,607
Sabra Health Care REIT Inc.	87,684	1,809
New Senior Investment Group Inc.	105,724	1,129
CareTrust REIT Inc.	77,125	1,063
Universal Health Realty Income Trust	16,877	965
		140,082
Hotel & Resort REITs (4.9%)		
Host Hotels & Resorts Inc.	1,008,769	16,352
Hospitality Properties Trust	202,902	5,844
Apple Hospitality REIT Inc.	222,379	4,183
RLJ Lodging Trust	167,660	3,596
LaSalle Hotel Properties	151,136	3,564
Sunstone Hotel Investors Inc.	288,843	3,486
Ryman Hospitality Properties Inc.	61,794	3,130
Pebblebrook Hotel Trust	96,519	2,534
Xenia Hotels & Resorts Inc.	149,582	2,510
DiamondRock Hospitality Co.	270,056	2,439
Chesapeake Lodging Trust	81,045	1,884
Summit Hotel Properties Inc.	117,147	1,551
Chatham Lodging Trust	51,876	1,140
FelCor Lodging Trust Inc.	179,723	1,120
Hersha Hospitality Trust Class A	59,029	1,012
Ashford Hospitality Trust Inc.	126,295	678
Ashford Hospitality Prime Inc.	33,896	479
		55,502
Industrial REITs (5.9%)		
Prologis Inc.	704,256	34,537
Duke Realty Corp.	463,975	12,370
DCT Industrial Trust Inc.	118,472	5,691
First Industrial Realty Trust Inc.	156,849	4,363
EastGroup Properties Inc.	43,640	3,008
STAG Industrial Inc.	91,478	2,178
Rexford Industrial Realty Inc.	86,852	1,832
Terreno Realty Corp.	58,291	1,508
Monmouth Real Estate Investment Corp.	76,861	1,019
		66,506
Office REITs (12.1%)		
Boston Properties Inc.	206,132	27,189
Vornado Realty Trust	227,832	22,810
SL Green Realty Corp.	134,383	14,308
Alexandria Real Estate Equities Inc.	98,601	10,207
Kilroy Realty Corp.	123,899	8,213
Highwoods Properties Inc.	129,198	6,822
Douglas Emmett Inc.	188,027	6,679
* Equity Commonwealth	160,304	4,670
Piedmont Office Realty Trust Inc. Class A	194,785	4,196
Brandywine Realty Trust	234,916	3,947
Corporate Office Properties Trust	127,190	3,761
Paramount Group Inc.	228,315	3,639
Hudson Pacific Properties Inc.	121,187	3,536
Columbia Property Trust Inc.	157,852	3,378
Mack-Cali Realty Corp.	113,826	3,073
Government Properties Income Trust	95,416	2,200
New York REIT Inc.	221,626	2,050
Parkway Properties Inc.	112,596	1,884
Franklin Street Properties Corp.	121,157	1,487
Tier REIT Inc.	64,497	989
Easterly Government Properties Inc.	42,043	829
NorthStar Realty Europe Corp.	83,245	770
		136,637
Residential REITs (15.3%)		
Equity Residential	490,031	33,753
AvalonBay Communities Inc.	183,883	33,171
Essex Property Trust Inc.	87,806	20,028
UDR Inc.	351,609	12,981
Mid-America Apartment Communities Inc.	101,127	10,760
Camden Property Trust	116,512	10,302
Apartment Investment & Management Co.	210,191	9,282
American Campus Communities Inc.	175,210	9,263
Equity LifeStyle Properties Inc.	108,052	8,650
Sun Communities Inc.	81,489	6,245
American Homes 4 Rent Class A	227,748	4,664
Post Properties Inc.	72,053	4,399
Education Realty Trust Inc.	83,479	3,852
Monogram Residential Trust Inc.	212,284	2,167
Colony Starwood Homes	55,225	1,680
Silver Bay Realty Trust Corp.	46,767	797
		171,994
Retail REITs (24.7%)		
Simon Property Group Inc.	415,223	90,062
Realty Income Corp.	336,136	23,314
General Growth Properties Inc.	769,855	22,957
Kimco Realty Corp.	555,559	17,433
Federal Realty Investment Trust	93,522	15,483
Macerich Co.	170,106	14,525
Regency Centers Corp.	131,056	10,973
National Retail Properties Inc.	191,417	9,900
Brixmor Property Group Inc.	289,867	7,670
DDR Corp.	416,183	7,550
Weingarten Realty Investors	158,205	6,458
Taubman Centers Inc.	80,963	6,007
Retail Properties of America Inc.	317,715	5,369
Tanger Factory Outlet Centers Inc.	128,419	5,160

	Shares	Market Value• ($000)
Urban Edge Properties	133,366	3,982
Equity One Inc.	123,267	3,967
Acadia Realty Trust	94,250	3,348
Kite Realty Group Trust	111,552	3,127
Retail Opportunity Investments Corp.	133,689	2,897
WP Glimcher Inc.	248,961	2,786
CBL & Associates Properties Inc.	229,762	2,139
Ramco-Gershenson Properties Trust	106,357	2,086
Pennsylvania REIT	92,996	1,995
^ Seritage Growth Properties Class A	30,319	1,511
Agree Realty Corp.	31,281	1,509
Alexander's Inc.	3,109	1,272
Saul Centers Inc.	16,958	1,046
Rouse Properties Inc.	55,086	1,005
Urstadt Biddle Properties Inc. Class A	35,148	871
Cedar Realty Trust Inc.	112,740	838
Getty Realty Corp.	35,412	760
		278,000
Specialized REITs (17.3%)		
Public Storage	197,639	50,515
Equinix Inc.	92,632	35,916
Digital Realty Trust Inc.	200,392	21,841
Extra Space Storage Inc.	166,470	15,405
Iron Mountain Inc.	338,722	13,491
Gaming and Leisure Properties Inc.	255,606	8,813
CubeSmart	235,747	7,280
EPR Properties	85,148	6,870
Sovran Self Storage Inc.	61,094	6,410
Corrections Corp. of America	156,964	5,497
CyrusOne Inc.	94,311	5,249
DuPont Fabros Technology Inc.	98,248	4,671
CoreSite Realty Corp.	41,244	3,658
QTS Realty Trust Inc. Class A	62,954	3,524
GEO Group Inc.	99,922	3,415
Four Corners Property Trust Inc.	76,592	1,577
National Storage Affiliates Trust	37,860	788
		194,920
Total Real Estate Investment Trusts (Cost $1,002,477)		**1,125,952**

	Shares	Market Value• ($000)
Temporary Cash Investment (0.3%)		
Money Market Fund (0.3%)		
[1,2] Vanguard Market Liquidity Fund, 0.538% (Cost $2,752)	2,752,012	2,752
Total Investments (100.2%) (Cost $1,005,229)		**1,128,704**

	Amount ($000)
Other Assets and Liabilities (-0.2%)	
Other Assets	
Investment in Vanguard	86
Receivables for Accrued Income	3,723
Receivables for Capital Shares Issued	1,819
Other Assets	1
Total Other Assets	**5,629**
Liabilities	
Payables for Investment Securities Purchased	(5,866)
Collateral for Securities on Loan	(210)
Payables for Capital Shares Redeemed	(571)
Payables to Vanguard	(804)
Total Liabilities	**(7,451)**
Net Assets (100%)	
Applicable to 79,876,630 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,126,882**
Net Asset Value Per Share	**$14.11**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	965,512
Undistributed Net Investment Income	15,010
Accumulated Net Realized Gains	22,885
Unrealized Appreciation (Depreciation)	123,475
Net Assets	**1,126,882**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $209,000.

1 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

2 Includes $210,000 of collateral received for securities on loan.

REIT—Real Estate Investment Trust.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016 ($000)
Investment Income	
Income	
Dividends	17,463
Interest[1]	1
Securities Lending	22
Total Income	17,486
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	95
Management and Administrative	1,097
Marketing and Distribution	105
Custodian Fees	32
Shareholders' Reports	14
Total Expenses	1,343
Net Investment Income	**16,143**
Realized Net Gain (Loss)	
Capital Gain Distributions Received	3,906
Investment Securities Sold	19,112
Realized Net Gain (Loss)	**23,018**
Change in Unrealized Appreciation (Depreciation) of Investment Securities	**90,143**
Net Increase (Decrease) in Net Assets Resulting from Operations	**129,304**

1 Interest income from an affiliated company of the portfolio was $1,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016 ($000)	Year Ended December 31, 2015 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	16,143	26,139
Realized Net Gain (Loss)	23,018	69,224
Change in Unrealized Appreciation (Depreciation)	90,143	(76,645)
Net Increase (Decrease) in Net Assets Resulting from Operations	129,304	18,718
Distributions		
Net Investment Income	(26,115)	(18,254)
Realized Capital Gain[1]	(69,291)	(34,545)
Total Distributions	(95,406)	(52,799)
Capital Share Transactions		
Issued	88,571	189,377
Issued in Lieu of Cash Distributions	95,406	52,799
Redeemed	(81,409)	(227,024)
Net Increase (Decrease) from Capital Share Transactions	102,568	15,152
Total Increase (Decrease)	136,466	(18,929)
Net Assets		
Beginning of Period	**990,416**	**1,009,345**
End of Period[2]	**1,126,882**	**990,416**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $1,741,000 and $1,018,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $15,010,000 and $24,982,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$13.77	$14.17	$11.87	$12.12	$10.90	$10.35
Investment Operations						
Net Investment Income	.216[1]	.358	.307	.308	.264	.231
Net Realized and Unrealized Gain (Loss) on Investments	1.494	(.032)	3.061	.002	1.594	.634
Total from Investment Operations	1.710	.326	3.368	.310	1.858	.865
Distributions						
Dividends from Net Investment Income	(.375)	(.251)	(.367)	(.255)	(.233)	(.185)
Distributions from Realized Capital Gains	(.995)	(.475)	(.701)	(.305)	(.405)	(.130)
Total Distributions	(1.370)	(.726)	(1.068)	(.560)	(.638)	(.315)
Net Asset Value, End of Period	$14.11	$13.77	$14.17	$11.87	$12.12	$10.90
Total Return	13.42%	2.22%	30.11%	2.33%	17.46%	8.44%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,127	$990	$1,009	$655	$644	$516
Ratio of Total Expenses to Average Net Assets	0.27%	0.27%	0.27%	0.27%	0.28%	0.28%
Ratio of Net Investment Income to Average Net Assets	2.87%[1]	2.60%	3.96%	2.50%	2.36%	2.21%
Portfolio Turnover Rate	17%	21%	11%	19%	8%	13%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Net investment income per share and the ratio of net investment income to average net assets include $0.049 and 0.38%, respectively, resulting from a special dividend from Equity Residential in March 2016.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard REIT Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

3. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

4. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

5. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

6. Other: Distributions received from REITs are recorded on the ex-dividend date. Each REIT reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the REITs, and management's estimates of such amounts for REIT distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $86,000, representing 0.01% of the portfolio's net assets and 0.03% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

At June 30, 2016, 100% of the market value of the portfolio's investments was determined based on Level 1 inputs.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,005,229,000. Net unrealized appreciation of investment securities for tax purposes was $123,475,000, consisting of unrealized gains of $194,039,000 on securities that had risen in value since their purchase and $70,564,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2016, the portfolio purchased $114,758,000 of investment securities and sold $86,171,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	6,658	13,620
Issued in Lieu of Cash Distributions	7,442	3,777
Redeemed	(6,154)	(16,709)
Net Increase (Decrease) in Shares Outstanding	7,946	688

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 51% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

G. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

• **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

• **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

REIT Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,134.19	$1.43
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.52	1.36

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.27%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund REIT Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees, and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.
2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Vanguard®

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Vanguard®

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Small Company Growth Portfolio

Vanguard’s Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard’s research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Small Company Growth Portfolio

Advisors' Report

Vanguard Small Company Growth Portfolio returned 1.20% for the six months ended June 30, 2016, ahead of the –0.03% return of its benchmark, the Russell 2500 Growth Index, and the –0.50% average return of peer funds. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The portfolio is managed by three independent advisors, a strategy that enhances diversification by providing exposure to distinct yet complementary investment approaches. (Arrowpoint Partners was added as a third advisor effective January 25, 2016.) It is not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The advisors, the amount and percentage of the portfolio's assets each manages, and brief descriptions of their investment strategies are presented in the accompanying table. Each advisor has also prepared a discussion of the investment environment that existed during the year and its effect on the portfolio's positioning. (The Granahan discussion refers to industry sectors as defined by Russell classifications, rather than by the Global Industry Classification Standard used elsewhere in this report.) These comments were prepared on July 20, 2016.

Granahan Investment Management, Inc.

Portfolio Managers:

Gary C. Hatton, CFA,
Co-Founder and Chief Investment Officer

Jane M. White,
Co-Founder, President, and
Chief Executive Officer

Jennifer M. Pawloski

The new year found investors fearing a recession, driven by several factors: U.S. presidential election discontent, geopolitical uncertainty, gains in the U.S. dollar, plummeting government bond rates, and slow global growth. The market fell noticeably in the first six weeks of 2016. It turned in mid-February and continued upward for much of the second quarter. Volatility resumed after Britain's June 23 vote to leave the European Union, with U.S. markets initially moving sharply lower. The markets recovered most of the "Brexit" declines over the last few days of the quarter.

Eight of our holdings were bought out in the second quarter: five technology companies, two in health care, and a bank. For big technology and medical firms generating strong cash flow but lacking organic growth, purchasing new products is more effective than the time and cost of developing a new product. Last year, private companies were valued at more than twice the average public company based on enterprise value/revenue multiples. This was in large part because of private equity and venture firms driving up valuations through continued capital raising and investment. We are in a fairly rare period in which it is cheaper to buy a publicly traded software company than one privately owned. The recent buyouts in our portfolios have been mostly cash offers and generally viewed as strategic—a positive sign for the small-capitalization market. This type of buying usually happens at the bottom of markets, not at the top.

Our performance was driven by stock selection in health care, technology, energy, utilities, and consumer staples. In health care, the shift from "pioneer" biotechnology companies to "core growth" medical equipment and services companies has started to pay off. Telecommunication stocks drove technology performance: Ruckus Wireless (wi-fi equipment) was acquired by Brocade, and Gigamon's network optimizing appliances have been successful in the security market. In consumer staples, "special situation" company SodaStream International rebounded as competitive pressures lifted.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Small Company Growth Portfolio	1.20%
Russell 2500 Growth Index	-0.03
Variable Insurance Small-Cap Growth Funds Average[1]	-0.50

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Small-Cap Growth Funds Average
Small Company Growth Portfolio	0.38%	1.03%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Small Company Growth Portfolio's expense ratio was 0.35%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Consumer discretionary, particularly ClubCorp Holdings (operator of more than 200 private golf clubs) and Kona Grill (upscale casual dining), most detracted from performance. Both companies have 30% exposure to Texas, and investors worried that bad weather and unemployment from low oil prices there might hurt earnings. Financials were a slight negative, and Advisory Board (research and IT tools for health care and higher education) dragged down results in producer durables. In materials, our underweight allocation and stock selection both dampened relative performance.

Most economic-activity tracking data are depressed, suggesting weak growth. However, the trend is toward improvement, which reduces the risk of negative earnings and recession. The components of the June jobs report were solid, and housing starts surged more than expected. Although understanding the true economic impact of the Brexit vote is not yet possible, it creates uncertainty, which markets do not like.

According to Bloomberg data, small-cap companies increased earnings 25% over the trailing 12 months, yet the multiple paid for them declined 39%. By comparison, earnings for the Russell 1000 Value Index declined 9.7%, while the price/earnings ratio increased 4.3%.

The companies in the portfolio continue to grow despite the low-growth global environment, as they create products that enable others to reduce costs and improve productivity. Globalization and innovation in health care and technology favor small-cap growth companies, and as indicated by the eight recent buyouts, these fast-growing businesses are viewed as attractive acquisition targets. We continue to use our life-cycle category approach to diversify the portfolio across innovative emerging growth companies, as well as high-quality companies that may be temporarily affected by negative investor sentiment.

Vanguard Quantitative Equity Group

Portfolio Managers:

Michael R. Roach, CFA

James P. Stetler, Principal

Binbin Guo, Principal, Head of Equity Research and Portfolio Strategies

For the six months, U.S. equities grew at a reasonable rate given the macroeconomic landscape. The broad U.S. equity market was up 3.62% as measured by the Russell 3000 Index. Large-cap stocks outperformed small companies by about 1½ percentage points, and value-oriented stocks outperformed their growth counterparts by about 5 percentage points. U.S. equity markets outperformed international markets, and emerging markets were stronger than developed markets.

The benchmark Russell 2500 Growth Index (–0.03%) underperformed the broad U.S. equity market. Most of the underperformance came from health care, one of the benchmark's larger sectors. Information technology and financials also lagged slightly. Telecommunication services and utilities performed strongly but are some of the smallest index components. Materials and consumer staples helped as well.

The most notable development of the half year was the United Kingdom's vote to leave the European Union. It has two years to coordinate its potential exit with the rest of the EU's members, but there is speculation that a longer time frame is more realistic. Although the vote initially weighed on global equity markets and boosted less risky assets such as bonds and gold, stocks have since sharply recovered.

Vanguard Small Company Growth Portfolio Investment Advisors

	Portfolio Assets Managed		
Investment Advisor	%	$ Million	Investment Strategy
Granahan Investment Management, Inc.	33	409	Bases its investment process on the beliefs that earnings drive stock prices and that small, dynamic companies with exceptional growth prospects have the greatest long-term potential. A bottom-up, fundamental approach places companies in one of three life-cycle categories: core growth, pioneer, and special situation. In each, the process looks for companies with strong earnings growth and leadership in their markets.
Arrowpoint Partners	33	403	The firm uses in-depth fundamental research to uncover companies that, in its opinion, can control their own economic destiny. It starts by identifying businesses with strong competitive advantages in industries with high barriers to entry, then narrows the focus to companies with large potential markets and high-quality business models focused on the future. Finally, considerations are made for potential downside risk, resulting in a diversified portfolio of between 75 and 100 stocks.
Vanguard Quantitative Equity Group	31	382	Employs a quantitative fundamental management approach, using models that assess valuation, growth prospects, management decisions, market sentiment, and earnings and balance-sheet quality of companies as compared with their peers.
Cash Investments	3	31	These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor may also maintain a modest cash position.

U.S. GDP grew 1.1% in the first quarter as the economy continued steadily expanding because of personal consumption, local government spending, and exports. In June, the labor market added 287,000 jobs, alleviating fears of a recession. In light of global uncertainty, especially after the Brexit referendum, the Federal Reserve remained cautious about its timeline for interest rate hikes. The federal funds futures market continued to reflect a much greater probability of no rate increases this year, and the prospect of higher rates in 2017 has even come into question. Although U.S. rates remain historically low, the increasing presence of negative rates elsewhere has meant a resilient dollar relative to other global currencies.

Our growth, quality, and yields models produced positive relative performance, while our management decisions and sentiment models detracted.

Our results for the six months were mixed. Our stock selection helped versus the benchmark in four of the ten industry sectors, with strong relative results in health care, IT, and materials. But our selection hurt in industrials and energy.

In materials, Koppers Holdings and Trinseo SA were the strongest relative performers. Affymetrix and Amedisys, in health care, and Advanced Micro Devices and Wix.com, in IT, were our largest contributors. Unfortunately, our industrial and energy selections disappointed as JetBlue, Alaska Air Group, American Woodmark, CVR Energy, Western Refining, and Teekay did not perform as expected.

Arrowpoint Partners

Portfolio Managers:

Chad Meade, Partner

Brian Schaub, CFA, Partner

Uncertainty surrounding the global economic environment continues to drive market volatility, highlighted most recently by Britain’s vote to leave the European Union. As investors struggle with slowing growth, mixed economic data, and an ever-more-complex global market, we believe that our focus on fundamentals will be crucial to long-term success. With heightened volatility comes opportunity, in our view, and our risk-first approach served us well over the six months.

From January 1 to February 11, the Russell 2500 Growth Index slid 17%, but it rebounded with a 20% rally through the end of June. During the period, our focus remained on identifying companies with strong competitive advantages, stable recurring revenues, and the ability to weather economic instability. Historically, such companies tend to gain market share during downturns and emerge stronger as the economy rebounds. Our goal through the second half of the year will be to use our risk-first approach to weather the macroeconomic uncertainties that lie ahead.

The industrial sector contributed most to performance for the six months, led by Clean Harbors. A sharp rebound in the price of crude oil from February 11 through June aided the sector and provided a sense of stabilization that had been far less evident over the prior few quarters. Information technology was also strong, boosted by Demandware, which Salesforce.com acquired for a 56% premium. Stock selection in IT was the largest contributor to overall outperformance. LDR Holding, the top standout, was acquired during the period for $1.07 billion by Zimmer Biomet as the company looks to increase its global exposure to the spinal device market.

The financial sector was the largest drag on overall performance as market volatility and an uncertain regulatory environment pressured the results of our underlying holdings. An underweight allocation to materials slightly impeded results as well. Among companies, LPL Financial, WisdomTree Investments, and INC Research detracted. We took advantage of market volatility to add to all three holdings because we believe that our investment thesis remains valid.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	533	1,463	3,863
Median Market Cap	$2.0B	$3.5B	$53.0B
Price/Earnings Ratio	37.9x	34.0x	22.0x
Price/Book Ratio	3.8x	4.4x	2.7x
Yield[3]	0.8%	1.0%	2.1%
Return on Equity	13.8%	15.3%	16.5%
Earnings Growth Rate	12.6%	12.8%	7.3%
Foreign Holdings	2.3%	0.0%	0.0%
Turnover Rate[4]	64%	—	—
Expense Ratio[5]	0.38%	—	—
Short-Term Reserves	0.6%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.96	0.78
Beta	1.02	1.18

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]	Broad Index[2]
Consumer Discretionary	15.5%	17.5%	12.9%
Consumer Staples	1.8	4.6	9.3
Energy	1.5	1.0	6.7
Financials	10.3	11.4	17.5
Health Care	20.8	18.8	14.2
Industrials	18.8	17.6	10.6
Information Technology	27.8	21.3	19.2
Materials	2.4	6.4	3.3
Telecommunication Services	0.8	0.8	2.6
Utilities	0.3	0.6	3.7

Ten Largest Holdings[6] (% of total net assets)

Cadence Design Systems Inc.	Application Software	1.2%
Clean Harbors Inc.	Environmental & Facilities Services	1.0
2U Inc.	Internet Software & Services	1.0
LendingTree Inc.	Thrifts & Mortgage Finance	0.9
ServiceMaster Global Holdings Inc.	Specialized Consumer Services	0.9
ABIOMED Inc.	Health Care Equipment	0.9
Sally Beauty Holdings Inc.	Specialty Stores	0.9
National CineMedia Inc.	Advertising	0.8
Tennant Co.	Industrial Machinery	0.8
Fleetmatics Group plc	Systems Software	0.8
Top Ten		9.2%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			■

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

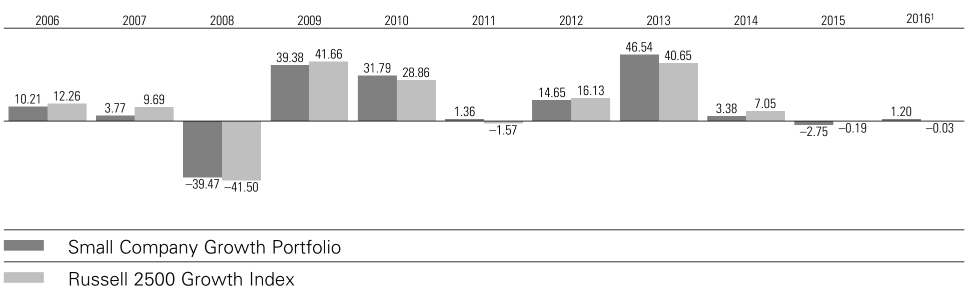
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 Russell 2500 Growth Index.
2 Dow Jones U.S. Total Stock Market Float Adjusted Index.
3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.
4 Annualized.
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Small Company Growth Portfolio's expense ratio was 0.35%.
6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Small Company Growth Portfolio	6/3/1996	-8.01%	9.23%	7.65%

1 Six months ended June 30, 2016.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets
As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

		Shares	Market Value• ($000)
	Common Stocks (98.0%)[1]		
	Consumer Discretionary (15.1%)		
*	ServiceMaster Global Holdings Inc.	285,620	11,368
	Sally Beauty Holdings Inc.	362,554	10,663
	National CineMedia Inc.	635,504	9,838
	Carter's Inc.	80,137	8,532
	Dunkin' Brands Group Inc.	183,709	8,013
	Hibbett Sports Inc.	205,648	7,154
	Wolverine World Wide Inc.	348,013	7,072
*	Boyd Gaming Corp.	338,076	6,221
	Grand Canyon Education Inc.	145,807	5,821
	Polaris Industries Inc.	61,977	5,067
	DSW Inc. Class A	206,271	4,369
	Five Below Inc.	90,542	4,202
*	IMAX Corp.	120,803	3,561
	Leggett & Platt Inc.	68,933	3,523
*	NVR Inc.	1,915	3,409
	Dick's Sporting Goods Inc.	72,928	3,286
*	Modine Manufacturing Co.	321,922	2,833
	Monro Muffler Brake Inc.	44,045	2,799
	Tumi Holdings Inc.	103,475	2,767
	Big Lots Inc.	50,800	2,546
*	Smith & Wesson Holding Corp.	89,264	2,426
*,^	SodaStream International Ltd.	113,160	2,414
	Jack in the Box Inc.	26,433	2,271
	Vail Resorts Inc.	16,100	2,225
	ClubCorp Holdings Inc.	169,600	2,205
	DR Horton Inc.	67,343	2,120
^	Outerwall Inc.	50,104	2,104
*	Isle of Capri Casinos Inc.	114,692	2,101
	American Eagle Outfitters Inc.	131,671	2,098
	Sturm Ruger & Co. Inc.	32,683	2,092
	Interpublic Group of Cos. Inc.	89,121	2,059
*	American Axle & Manufacturing Holdings Inc.	139,971	2,027
^	Regal Entertainment Group Class A	91,772	2,023
*	Strayer Education Inc.	40,515	1,990
	Lithia Motors Inc. Class A	27,500	1,954
	Cato Corp. Class A	50,400	1,901
*	Dave & Buster's Entertainment Inc.	39,800	1,862
*	MSG Networks Inc.	121,051	1,857
	Nexstar Broadcasting Group Inc. Class A	38,900	1,851
	Cracker Barrel Old Country Store Inc.	10,431	1,789
	Bob Evans Farms Inc.	46,785	1,775
*	Gentherm Inc.	49,000	1,678
	Children's Place Inc.	19,684	1,578
	Bloomin' Brands Inc.	80,504	1,439
*	Michaels Cos. Inc.	50,354	1,432
*	Express Inc.	96,893	1,406
*	Pinnacle Entertainment Inc.	121,822	1,350
*	Denny's Corp.	114,400	1,228
	Lear Corp.	11,115	1,131
*	Buffalo Wild Wings Inc.	7,700	1,070
	Brinker International Inc.	22,696	1,033
	AMC Entertainment Holdings Inc.	36,442	1,006
*	Kona Grill Inc.	89,290	957
	Callaway Golf Co.	92,200	941
*	Cooper-Standard Holding Inc.	11,642	920
	Ruth's Hospitality Group Inc.	55,245	881
*	Tenneco Inc.	18,347	855
	Oxford Industries Inc.	14,830	840
	Visteon Corp.	12,462	820
	Tupperware Brands Corp.	12,408	698
	Culp Inc.	23,700	655
	MCBC Holdings Inc.	56,969	629
	Caleres Inc.	25,798	625
^	World Wrestling Entertainment Inc. Class A	33,581	618
*	Carrols Restaurant Group Inc.	46,968	559
	GNC Holdings Inc. Class A	21,237	516
*	Francesca's Holdings Corp.	41,575	459
	MDC Partners Inc. Class A	23,689	433
*	BJ's Restaurants Inc.	9,300	408
	Libbey Inc.	24,740	393
	Bassett Furniture Industries Inc.	14,400	345
	Ethan Allen Interiors Inc.	9,402	311
*	Red Rock Resorts Inc. Class A	13,000	286
*	Chuy's Holdings Inc.	5,944	206
*,^	JAKKS Pacific Inc.	25,676	203
*	Weight Watchers International Inc.	16,665	194
	Sinclair Broadcast Group Inc. Class A	6,395	191
*	Asbury Automotive Group Inc.	3,473	183
	Pier 1 Imports Inc.	26,210	135
			184,800
	Consumer Staples (1.7%)		
	Ingredion Inc.	22,869	2,960
	Boston Beer Co. Inc. Class A	12,833	2,195
	Dean Foods Co.	119,763	2,167
*	Herbalife Ltd.	32,922	1,927
	Casey's General Stores Inc.	13,740	1,807
*	Amplify Snack Brands Inc.	102,924	1,518
	Ingles Markets Inc. Class A	38,400	1,432
	Pilgrim's Pride Corp.	55,263	1,408
*	USANA Health Sciences Inc.	9,974	1,111
*	Freshpet Inc.	117,960	1,101
	Fresh Del Monte Produce Inc.	16,891	919
*	SUPERVALU Inc.	155,500	734
*	Blue Buffalo Pet Products Inc.	17,968	419
^	Cal-Maine Foods Inc.	8,703	386
*	Sprouts Farmers Market Inc.	14,245	326
^	Natural Health Trends Corp.	11,100	313
			20,723
	Energy (1.3%)		
	Core Laboratories NV	25,500	3,159
	RigNet Inc.	195,391	2,616
*	Diamondback Energy Inc.	27,700	2,527
	US Silica Holdings Inc.	62,349	2,149
	Dril-Quip Inc.	33,049	1,931
*	Newfield Exploration Co.	32,973	1,457
*	RPC Inc.	40,783	633
*	Enservco Corp.	784,600	487
*	Carrizo Oil & Gas Inc.	12,297	441
	CVR Energy Inc.	25,558	396
*	Southwestern Energy Co.	30,707	386
*	Sanchez Energy Corp.	31,192	220
*	Renewable Energy Group Inc.	22,702	201
			16,603
	Financials (9.7%)		
*,^	LendingTree Inc.	129,200	11,412
^	LPL Financial Holdings Inc.	341,681	7,698
	Financial Engines Inc.	222,939	5,768
	Opus Bank	138,469	4,680
	QTS Realty Trust Inc. Class A	75,480	4,225
^	WisdomTree Investments Inc.	427,751	4,188
	MarketAxess Holdings Inc.	28,700	4,173
	National Storage Affiliates Trust	190,278	3,962
*	Safeguard Scientifics Inc.	303,173	3,787
	MSCI Inc. Class A	46,800	3,609
	Bank of the Ozarks Inc.	88,250	3,311
	Lamar Advertising Co. Class A	48,617	3,223
*	Customers Bancorp Inc.	119,115	2,993
*	Affiliated Managers Group Inc.	20,000	2,815
*	Texas Capital Bancshares Inc.	56,900	2,661
	Gaming and Leisure Properties Inc.	76,911	2,652
	DuPont Fabros Technology Inc.	55,389	2,633
	STAG Industrial Inc.	104,470	2,487
	Ryman Hospitality Properties Inc.	48,243	2,444
	CoreSite Realty Corp.	26,900	2,386
	James River Group Holdings Ltd.	68,260	2,318
*	PRA Group Inc.	90,565	2,186
*	Pacific Premier Bancorp Inc.	88,600	2,126
	Bats Global Markets Inc.	81,513	2,094
*	Walker & Dunlop Inc.	77,700	1,770
	Universal Insurance Holdings Inc.	93,954	1,746
*	INTL. FCStone Inc.	63,700	1,738
	Senior Housing Properties Trust	82,783	1,724
*	Essent Group Ltd.	75,810	1,653
	Primerica Inc.	27,472	1,573

		Shares	Market Value• ($000)
*,^	World Acceptance Corp.	33,330	1,520
	BGC Partners Inc. Class A	167,100	1,456
*,^	Credit Acceptance Corp.	7,674	1,420
	PrivateBancorp Inc.	31,200	1,374
	Lazard Ltd. Class A	46,084	1,372
	WP Glimcher Inc.	110,578	1,237
	Banc of California Inc.	65,749	1,190
*	KCG Holdings Inc. Class A	89,375	1,189
	Iron Mountain Inc.	27,887	1,111
	Care Capital Properties Inc.	40,145	1,052
*	Harris & Harris Group Inc.	593,430	955
	OM Asset Management plc	70,100	936
	Sabra Health Care REIT Inc.	37,850	781
	Morningstar Inc.	5,467	447
	Outfront Media Inc.	16,839	407
	Chesapeake Lodging Trust	17,299	402
	GEO Group Inc.	7,391	253
	Equity LifeStyle Properties Inc.	3,100	248
*	BofI Holding Inc.	13,903	246
	Universal Health Realty Income Trust	4,300	246
	Employers Holdings Inc.	7,607	221
	PS Business Parks Inc.	1,862	198
	Blue Hills Bancorp Inc.	13,160	194
	Pennsylvania REIT	8,847	190
*	FCB Financial Holdings Inc. Class A	3,400	116
			118,796
	Health Care (20.3%)		
*	ABIOMED Inc.	100,145	10,945
*	INC Research Holdings Inc. Class A	222,828	8,496
*	LDR Holding Corp.	227,339	8,400
*	DexCom Inc.	92,181	7,313
*	Align Technology Inc.	77,820	6,268
	Cooper Cos. Inc.	33,114	5,681
*	Medidata Solutions Inc.	121,199	5,681
*	Exact Sciences Corp.	455,692	5,582
*	Cepheid	163,582	5,030
*	Inogen Inc.	100,305	5,026
	Endologix Inc.	401,976	5,009
*	Zeltiq Aesthetics Inc.	178,654	4,883
*	Cynosure Inc. Class A	98,960	4,814
*	NeoGenomics Inc.	569,671	4,580
*	Spectranetics Corp.	243,549	4,557
*	Ligand Pharmaceuticals Inc.	34,486	4,113
*	Hologic Inc.	115,079	3,982
*	Acadia Healthcare Co. Inc.	67,500	3,739
*	Evolent Health Inc. Class A	193,350	3,712
*	Nektar Therapeutics	253,179	3,603
	West Pharmaceutical Services Inc.	46,010	3,491
	Diplomat Pharmacy Inc.	97,706	3,420
	CONMED Corp.	67,443	3,219
*	Supernus Pharmaceuticals Inc.	148,200	3,019
*	WellCare Health Plans Inc.	27,906	2,994
	ResMed Inc.	45,155	2,855
*	Charles River Laboratories International Inc.	34,400	2,836
*	Cardiovascular Systems Inc.	153,420	2,819
*	Akorn Inc.	98,360	2,802
	Atara Biotherapeutics Inc.	124,375	2,800
*	Quintiles Transnational Holdings Inc.	41,098	2,684
*,^	Cempra Inc.	158,825	2,619
*	Prestige Brands Holdings Inc.	47,068	2,608
	athenahealth Inc.	18,837	2,600
*	Bio-Rad Laboratories Inc. Class A	17,944	2,566
	Neurocrine Biosciences Inc.	55,617	2,528
*	Alkermes plc	58,100	2,511
*	Acceleron Pharma Inc.	73,350	2,492
	LeMaitre Vascular Inc.	169,429	2,418
*	United Therapeutics Corp.	22,500	2,383
	Bruker Corp.	104,754	2,382
*	Intersect ENT Inc.	181,812	2,351
	Bluebird Bio Inc.	52,983	2,294
*	Amedisys Inc.	44,763	2,260
	Quidel Corp.	124,826	2,229
	Revance Therapeutics Inc.	158,120	2,150
	Insulet Corp.	71,068	2,149
	DBV Technologies SA ADR	64,797	2,114
	Nevro Corp.	28,519	2,103
*	PRA Health Sciences Inc.	50,366	2,103
^	Novadaq Technologies Inc.	212,313	2,089
*	Mettler-Toledo International Inc.	5,696	2,079
	Juno Therapeutics Inc.	53,779	2,067
*	Sage Therapeutics Inc.	68,578	2,066
	Patterson Cos. Inc.	43,137	2,066
	Alnylam Pharmaceuticals Inc.	36,970	2,051
*	Ironwood Pharmaceuticals Inc. Class A	153,400	2,006
*	Emergent BioSolutions Inc.	70,371	1,979
*	BioTelemetry Inc.	117,308	1,912
*	Anika Therapeutics Inc.	34,952	1,875
*	Five Prime Therapeutics Inc.	42,649	1,763
*	ICU Medical Inc.	15,482	1,746
*	Spectrum Pharmaceuticals Inc.	259,043	1,702
*	Amsurg Corp.	21,590	1,674
*	Vascular Solutions Inc.	39,686	1,653
*	Pacira Pharmaceuticals Inc.	45,900	1,548
*	OraSure Technologies Inc.	249,325	1,473
*	Masimo Corp.	27,361	1,437
	OvaScience Inc.	262,356	1,367
*	Molina Healthcare Inc.	26,391	1,317
	Chemed Corp.	9,600	1,309
*	Cross Country Healthcare Inc.	93,084	1,296
*	Cutera Inc.	103,180	1,157
*	Allscripts Healthcare Solutions Inc.	90,162	1,145
*	Enanta Pharmaceuticals Inc.	51,780	1,142
*	PAREXEL International Corp.	17,854	1,123
*	VCA Inc.	15,750	1,065
*	Paratek Pharmaceuticals Inc.	76,070	1,058
*	AMN Healthcare Services Inc.	26,197	1,047
*	Array BioPharma Inc.	293,300	1,044
*	Durect Corp.	762,940	931
*,^	AcelRx Pharmaceuticals Inc.	343,030	923
*	Merrimack Pharmaceuticals Inc.	170,136	917
*	FibroGen Inc.	45,143	741
*	Harvard Bioscience Inc.	247,440	708
*	Acorda Therapeutics Inc.	26,879	685
*	BioCryst Pharmaceuticals Inc.	224,413	637
*	Natus Medical Inc.	16,417	621
*	ImmunoGen Inc.	193,014	594
*	Rigel Pharmaceuticals Inc.	243,981	544
*,^	Rockwell Medical Inc.	61,781	468
*	Zafgen Inc.	77,900	467
*	LHC Group Inc.	10,500	454
*	IDEXX Laboratories Inc.	4,600	427
	PerkinElmer Inc.	7,643	401
*,^	Esperion Therapeutics Inc.	37,950	375
	Phibro Animal Health Corp. Class A	19,032	355
*	Infinity Pharmaceuticals Inc.	226,677	301
*	Orthofix International NV	6,525	277
*,^	Insys Therapeutics Inc.	21,300	276
*	Vocera Communications Inc.	18,379	236
*	HMS Holdings Corp.	13,378	236
*	Tetraphase Pharmaceuticals Inc.	54,466	234
*	Myriad Genetics Inc.	7,349	225
*	NxStage Medical Inc.	10,366	225
*	Sorrento Therapeutics Inc.	30,555	171
*	CTI BioPharma Corp.	169,466	58
			248,956
	Industrials (18.4%)		
	Clean Harbors Inc.	232,054	12,092
	Tennant Co.	175,986	9,480
	CEB Inc.	150,505	9,283
*	TriNet Group Inc.	417,272	8,675
	Sensata Technologies Holding NV	229,030	7,991
	Heartland Express Inc.	436,141	7,585
*	Proto Labs Inc.	126,240	7,266
*	Hawaiian Holdings Inc.	187,863	7,131
	HEICO Corp. Class A	128,368	6,887
	Forward Air Corp.	151,855	6,762
	MSC Industrial Direct Co. Inc. Class A	95,486	6,738
	Wabtec Corp.	72,713	5,107
	Douglas Dynamics Inc.	193,094	4,968
	Kennametal Inc.	223,783	4,948
	Albany International Corp.	115,032	4,593
	Kirby Corp.	70,200	4,380
	Kaman Corp.	88,720	3,772
*	Advisory Board Co.	104,995	3,716
	Woodward Inc.	63,575	3,664
	Apogee Enterprises Inc.	76,066	3,526
*	WageWorks Inc.	58,740	3,513
	Huntington Ingalls Industries Inc.	20,881	3,509
	AO Smith Corp.	38,827	3,421
	John Bean Technologies Corp.	53,550	3,278
*	RBC Bearings Inc.	45,180	3,276
	Ritchie Bros Auctioneers Inc.	95,427	3,224
	Donaldson Co. Inc.	86,462	2,971
	Mobile Mini Inc.	83,720	2,900
*	Spirit AeroSystems Holdings Inc. Class A	62,315	2,680
	BWX Technologies Inc.	72,965	2,610
*	United Rentals Inc.	35,678	2,394
*	Titan Machinery Inc.	203,750	2,272
*	HD Supply Holdings Inc.	64,220	2,236
*	Rush Enterprises Inc. Class A	101,460	2,186

		Shares	Market Value• ($000)
	Insperity Inc.	27,593	2,131
	Global Brass & Copper Holdings Inc.	77,723	2,121
*	Quanta Services Inc.	91,553	2,117
	Insteel Industries Inc.	73,040	2,088
*	Wabash National Corp.	160,956	2,044
	Saia Inc.	81,156	2,040
	Herman Miller Inc.	68,245	2,040
	Alaska Air Group Inc.	34,480	2,010
	Greenbrier Cos. Inc.	68,767	2,003
	General Cable Corp.	145,201	1,846
	Comfort Systems USA Inc.	55,722	1,815
*	Meritor Inc.	249,677	1,798
*	American Woodmark Corp.	26,672	1,771
	Graco Inc.	21,300	1,683
	Brink's Co.	56,451	1,608
	Roadrunner Transportation Systems Inc.	212,913	1,588
	Kforce Inc.	92,539	1,563
	RR Donnelley & Sons Co.	83,256	1,409
*	JetBlue Airways Corp.	82,764	1,371
*	Genesee & Wyoming Inc. Class A	22,043	1,299
*,^	Power Solutions International Inc.	69,245	1,236
	Pitney Bowes Inc.	63,395	1,128
*,^	Kornit Digital Ltd.	110,600	1,079
	Allison Transmission Holdings Inc.	35,326	997
	B/E Aerospace Inc.	21,504	993
	Deluxe Corp.	14,334	951
	Quad/Graphics Inc.	40,262	938
*	TASER International Inc.	37,283	928
*	Continental Building Products Inc.	41,579	924
*	Ply Gem Holdings Inc.	60,882	887
^	American Railcar Industries Inc.	21,902	864
*	Spirit Airlines Inc.	19,200	862
*	NCI Building Systems Inc.	48,122	769
	West Corp.	37,081	729
	Brady Corp. Class A	21,602	660
	Griffon Corp.	31,071	524
*	Hudson Technologies Inc.	137,767	496
*	Swift Transportation Co.	29,984	462
	Universal Forest Products Inc.	4,422	410
	Air Lease Corp. Class A	13,694	367
	H&E Equipment Services Inc.	18,091	344
*	YRC Worldwide Inc.	38,793	341
*	Caesarstone Ltd.	7,300	254
*	TriMas Corp.	13,366	241
	Kadant Inc.	4,580	236
	Knoll Inc.	8,688	211
*	Energy Recovery Inc.	22,816	203
*	AECOM	6,293	200
	Supreme Industries Inc. Class A	14,485	198
*	TransUnion	5,865	196
*	Dycom Industries Inc.	2,162	194
*	Gibraltar Industries Inc.	6,004	190
	Actuant Corp. Class A	8,317	188
*	Echo Global Logistics Inc.	8,300	186
	Steelcase Inc. Class A	13,662	185
			224,950
	Information Technology (27.2%)		
*	Cadence Design Systems Inc.	619,748	15,060
*	2U Inc.	406,965	11,969
*	Fleetmatics Group plc	216,445	9,379
	Demandware Inc.	114,221	8,555
*	Gigamon Inc.	224,939	8,410
*	CoStar Group Inc.	37,402	8,178
*	Euronet Worldwide Inc.	118,076	8,170
*	Gartner Inc.	73,331	7,143
*	SPS Commerce Inc.	112,633	6,826
	Trimble Navigation Ltd.	271,063	6,603
	Brooks Automation Inc.	579,653	6,504
*,^	Cimpress NV	64,889	6,001
	CDW Corp.	141,886	5,687
*	Ultimate Software Group Inc.	25,912	5,449
*	Super Micro Computer Inc.	201,549	5,008
	Shutterstock Inc.	107,067	4,904
	SS&C Technologies Holdings Inc.	170,126	4,777
*	Perficient Inc.	231,100	4,694
	ChannelAdvisor Corp.	321,486	4,658
*	Wix.com Ltd.	141,738	4,302
*	CEVA Inc.	157,400	4,277
*	Aerohive Networks Inc.	630,885	4,176
*	Mellanox Technologies Ltd.	86,615	4,154
*	Imperva Inc.	96,470	4,149
*	Proofpoint Inc.	63,486	4,005
	RealPage Inc.	177,382	3,961
*	Infoblox Inc.	208,318	3,908
*	Qualys Inc.	124,400	3,708
*	Guidewire Software Inc.	59,756	3,691
	Teradyne Inc.	183,331	3,610
	Broadridge Financial Solutions Inc.	52,042	3,393
	Descartes Systems Group Inc.	174,883	3,339
*	Inphi Corp.	103,446	3,313
	Barracuda Networks Inc.	207,853	3,147
	MAXIMUS Inc.	54,545	3,020
*	Manhattan Associates Inc.	46,141	2,959
	Stratasys Ltd.	128,505	2,941
*	BroadSoft Inc.	70,000	2,872
*	Aspen Technology Inc.	69,941	2,814
	DST Systems Inc.	22,700	2,643
*	NCR Corp.	95,017	2,639
	Intersil Corp. Class A	191,600	2,594
	Booz Allen Hamilton Holding Corp. Class A	87,293	2,587
	New Relic Inc.	87,713	2,577
*	Rudolph Technologies Inc.	165,700	2,573
*	Teradata Corp.	101,819	2,553
*	PROS Holdings Inc.	142,500	2,484
*	Advanced Micro Devices Inc.	463,023	2,380
	EarthLink Holdings Corp.	354,697	2,270
	Travelport Worldwide Ltd.	175,502	2,262
*	ShoreTel Inc.	329,484	2,204
*	GoDaddy Inc. Class A	69,260	2,160
*	Radware Ltd.	190,500	2,145
	CSG Systems International Inc.	53,073	2,139
	FEI Co.	19,850	2,122
*	MicroStrategy Inc. Class A	12,000	2,100
*	Silicon Laboratories Inc.	42,700	2,081
	Monolithic Power Systems Inc.	29,900	2,043
*	Extreme Networks Inc.	601,102	2,038
*	Tyler Technologies Inc.	12,000	2,001
	Jack Henry & Associates Inc.	21,981	1,918
*	Virtusa Corp.	65,800	1,900
	Hackett Group Inc.	135,491	1,879
*	Finisar Corp.	106,100	1,858
*	Rapid7 Inc.	147,500	1,856
	Leidos Holdings Inc.	38,450	1,841
*	Cardtronics Inc.	45,875	1,826
	Avnet Inc.	45,001	1,823
*	Sykes Enterprises Inc.	61,898	1,793
*	PTC Inc.	47,357	1,780
^	Ebix Inc.	37,100	1,777
*	WNS Holdings Ltd. ADR	64,029	1,729
*	Ciena Corp.	89,200	1,673
*	Zendesk Inc.	62,900	1,659
*	Stamps.com Inc.	18,700	1,635
*	Synchronoss Technologies Inc.	50,000	1,593
*	ON Semiconductor Corp.	179,831	1,586
	TeleTech Holdings Inc.	58,264	1,581
*	Microsemi Corp.	47,100	1,539
*	GTT Communications Inc.	82,906	1,532
	Power Integrations Inc.	30,500	1,527
*	OSI Systems Inc.	25,880	1,504
*	Red Hat Inc.	20,676	1,501
	Science Applications International Corp.	24,837	1,449
*	Qlik Technologies Inc.	48,900	1,446
*	A10 Networks Inc.	222,311	1,438
*	Blackhawk Network Holdings Inc.	38,428	1,287
*	Callidus Software Inc.	60,300	1,205
*	LivePerson Inc.	189,150	1,199
*,^	Allot Communications Ltd.	241,214	1,187
*	IPG Photonics Corp.	14,600	1,168
*	Silicon Graphics International Corp.	228,417	1,149
*	Paylocity Holding Corp.	26,327	1,137
*,^	Unisys Corp.	154,927	1,128
*	InvenSense Inc.	175,100	1,073
*	Advanced Energy Industries Inc.	27,700	1,051
*	Shopify Inc.	32,300	994
*	Eastman Kodak Co.	60,309	970
*	Pandora Media Inc.	76,750	956
*	Nimble Storage Inc.	108,300	862
*	Cirrus Logic Inc.	21,599	838
*,^	Digimarc Corp.	25,930	829
*	Synaptics Inc.	15,340	825
	Diebold Inc.	30,900	767
*	Paycom Software Inc.	17,130	740
*	PFSweb Inc.	73,268	696
*	EPAM Systems Inc.	9,119	586
*	Cray Inc.	18,399	551
*	Five9 Inc.	46,136	549
*	Jive Software Inc.	138,369	520
*	Bazaarvoice Inc.	127,769	512
*	MINDBODY Inc. Class A	30,134	486
	Tessera Technologies Inc.	15,400	472
*	WebMD Health Corp.	8,007	465
*	Angie's List Inc.	68,539	446
*	Infinera Corp.	38,800	438
*	SecureWorks Corp. Class A	31,000	437
*	Rackspace Hosting Inc.	19,000	396
*	Acacia Communications Inc.	9,660	386
*	Xcerra Corp.	63,500	365
*	Itron Inc.	8,135	351

		Shares	Market Value• ($000)
*	Avid Technology Inc.	53,339	310
*	ePlus Inc.	3,417	279
*	NETGEAR Inc.	5,669	270
*	Take-Two Interactive Software Inc.	6,869	260
*	Interactive Intelligence Group Inc.	6,308	259
*	CyberArk Software Ltd.	5,300	258
*	Rubicon Project Inc.	18,200	248
*	RingCentral Inc. Class A	12,289	242
	Pegasystems Inc.	7,900	213
*	Liquidity Services Inc.	27,080	212
*	Plexus Corp.	4,837	209
*	Sonus Networks Inc.	22,645	197
*	NeoPhotonics Corp.	20,579	196
*	Applied Micro Circuits Corp.	30,306	195
*	DHI Group Inc.	27,769	173
*	Zebra Technologies Corp.	2,827	142
*,^	Twilio Inc.	3,000	110
			332,746
	Materials (2.3%)		
	Avery Dennison Corp.	44,591	3,333
	Quaker Chemical Corp.	31,401	2,801
*	Koppers Holdings Inc.	76,732	2,358
*	Trinseo SA	51,055	2,192
	Steel Dynamics Inc.	85,949	2,106
	Worthington Industries Inc.	48,613	2,056
	Bemis Co. Inc.	39,310	2,024
	AEP Industries Inc.	22,005	1,771
	Huntsman Corp.	107,171	1,441
	Graphic Packaging Holding Co.	109,128	1,368
*	US Concrete Inc.	14,788	901
	WR Grace & Co.	8,643	633
	Sealed Air Corp.	13,614	626
	American Vanguard Corp.	40,500	612
*	GCP Applied Technologies Inc.	21,965	572
*	Ryerson Holding Corp.	31,190	546
	RPM International Inc.	10,313	515
	Olympic Steel Inc.	15,366	420
	Stepan Co.	6,408	381
	Kaiser Aluminum Corp.	3,954	357
	Rayonier Advanced Materials Inc.	25,592	348
*	Crown Holdings Inc.	6,300	319
			27,680
	Other (1.1%)		
2	Vanguard Small-Cap Growth ETF	104,300	12,923
*	NuPathe Inc. CVR	345,900	207
*	Prosensa Holding NV CVR Expire 2/15/17	189,490	188
			13,318

		Shares	Market Value• ($000)
	Telecommunication Services (0.7%)		
	Cogent Communications Holdings Inc.	88,568	3,548
*	Vonage Holdings Corp.	315,100	1,922
*	Cincinnati Bell Inc.	239,400	1,094
	Inteliquent Inc.	47,400	943
*	FairPoint Communications Inc.	51,761	760
	Shenandoah Telecommunications Co.	9,981	390
*	Boingo Wireless Inc.	26,233	234
*	General Communication Inc. Class A	8,900	140
			9,031
	Utilities (0.2%)		
	Southwest Gas Corp.	13,286	1,046
	Ormat Technologies Inc.	17,583	770
	Spark Energy Inc. Class A	5,820	192
	Middlesex Water Co.	4,311	187
			2,195
	Total Common Stocks (Cost $1,163,246)		**1,199,798**
	Temporary Cash Investments (3.3%)[1]		
	Money Market Fund (3.1%)		
3,4	Vanguard Market Liquidity Fund, 0.538%	38,622,491	38,622
		Face Amount ($000)	
	U.S. Government and Agency Obligations (0.2%)		
5,6	Federal Home Loan Bank Discount Notes, 0.582%, 7/8/16	2,000	2,000
	Total Temporary Cash Investments (Cost $40,622)		**40,622**
	Total Investments (101.3%) (Cost $1,203,868)		**1,240,420**

	Amount ($000)
Other Assets and Liabilities (-1.3%)	
Other Assets	
Investment in Vanguard	101
Receivables for Investment Securities Sold	46,850
Receivables for Accrued Income	453
Receivables for Capital Shares Issued	263
Other Assets	424
Total Other Assets	**48,091**
Liabilities	
Payables for Investment Securities Purchased	(46,048)
Collateral for Securities on Loan	(13,392)
Payables to Investment Advisor	(406)
Payables for Capital Shares Redeemed	(1,912)
Payables to Vanguard	(1,580)
Other Liabilities	(115)
Total Liabilities	**(63,453)**
Net Assets (100%)	
Applicable to 64,707,465 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,225,058**
Net Asset Value Per Share	**$18.93**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,149,128
Undistributed Net Investment Income	1,824
Accumulated Net Realized Gains	37,616
Unrealized Appreciation (Depreciation)	
Investment Securities	36,552
Futures Contracts	(62)
Net Assets	**1,225,058**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $13,190,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 99.6% and 1.7%, respectively, of net assets.

2 Considered an affiliated company of the portfolio as the issuer is another member of The Vanguard Group.

3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

4 Includes $13,392,000 of collateral received for securities on loan.

5 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

6 Securities with a value of $1,000,000 and cash of $100,000 have been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

CVR—Contingent Value Rights.

REIT—Real Estate Investment Trust.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends[1]	4,832
Interest[1]	93
Securities Lending	954
Total Income	5,879
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	878
Performance Adjustment	—
The Vanguard Group—Note C	
Management and Administrative	1,070
Marketing and Distribution	113
Custodian Fees	29
Shareholders' Reports	25
Trustees' Fees and Expenses	1
Total Expenses	2,116
Net Investment Income	**3,763**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	40,275
Futures Contracts	(1,872)
Realized Net Gain (Loss)	**38,403**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(28,539)
Futures Contracts	(319)
Change in Unrealized Appreciation (Depreciation)	**(28,858)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**13,308**

1 Dividend income, interest income, and realized net gain (loss) from affiliated companies of the portfolio were $53,000, $86,000, and $0, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	3,763	4,360
Realized Net Gain (Loss)	38,403	112,243
Change in Unrealized Appreciation (Depreciation)	(28,858)	(154,179)
Net Increase (Decrease) in Net Assets Resulting from Operations	13,308	(37,576)
Distributions		
Net Investment Income	(4,424)	(4,640)
Realized Capital Gain[1]	(112,327)	(147,415)
Total Distributions	(116,751)	(152,055)
Capital Share Transactions		
Issued	65,103	190,501
Issued in Lieu of Cash Distributions	116,751	152,055
Redeemed	(109,267)	(226,311)
Net Increase (Decrease) from Capital Share Transactions	72,587	116,245
Total Increase (Decrease)	(30,856)	(73,386)
Net Assets		
Beginning of Period	**1,255,914**	**1,329,300**
End of Period[2]	**1,225,058**	**1,255,914**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $5,320,000 and $26,347,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $1,824,000 and $2,485,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$20.79**	**$24.14**	**$26.90**	**$20.08**	**$17.89**	**$17.68**
Investment Operations						
Net Investment Income	.061	.078	.085	.073	.155	.039
Net Realized and Unrealized Gain (Loss) on Investments	.032	(.577)	.610	8.674	2.462	.204
Total from Investment Operations	.093	(.499)	.695	8.747	2.617	.243
Distributions						
Dividends from Net Investment Income	(.074)	(.087)	(.075)	(.160)	(.045)	(.033)
Distributions from Realized Capital Gains	(1.879)	(2.764)	(3.380)	(1.767)	(.382)	—
Total Distributions	(1.953)	(2.851)	(3.455)	(1.927)	(.427)	(.033)
Net Asset Value, End of Period	**$18.93**	**$20.79**	**$24.14**	**$26.90**	**$20.08**	**$17.89**
Total Return	**1.20%**	**-2.75%**	**3.38%**	**46.54%**	**14.65%**	**1.36%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,225	$1,256	$1,329	$1,406	$910	$834
Ratio of Total Expenses to Average Net Assets[1]	0.35%	0.37%	0.39%	0.38%	0.38%	0.41%
Ratio of Net Investment Income to Average Net Assets	0.62%	0.33%	0.34%	0.32%	0.78%	0.23%
Portfolio Turnover Rate	64%	57%	43%	64%	61%	59%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Includes performance-based investment advisory fee increases (decreases) of 0.00%, (0.01%), 0.01%, 0.01%, 0.02%, and 0.04%.

Notes to Financial Statements

Vanguard Small Company Growth Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix

system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented 2% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Granahan Investment Management, Inc., and beginning January 2016, Arrowpoint Asset Management, LLC, each provide investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee of Granahan Investment Management, Inc., is subject to quarterly adjustments based on performance relative to the Russell 2500 Growth Index for periods prior to October 1, 2013, and to the current benchmark, Russell 2000 Growth Index beginning October 1, 2013, for the preceding three years. The benchmark change will be fully phased in by September 2016. In accordance with the advisory contract entered into with Arrowpoint Asset Management, LLC, beginning January 1, 2017, the investment advisory fee will be subject to quarterly adjustments based on performance since March 31, 2016, relative to the Russell 2500 Growth Index.

Vanguard provides investment advisory services to a portion of the portfolio as described below; the portfolio paid Vanguard advisory fees of $145,000 for the six months ended June 30, 2016.

For the six months ended June 30, 2016, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.14% of the portfolio's average net assets, with no net increase or decrease based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $101,000, representing 0.01% of the portfolio's net assets and 0.04% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,199,403	—	395
Temporary Cash Investments	38,622	2,000	—
Futures Contracts—Assets[1]	290	—	—
Total	1,238,315	2,000	395

1 Represents variation margin on the last day of the reporting period.

E. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

			($000)	
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini Russell 2000 Index	September 2016	121	13,884	(72)
E-mini S&P 500 Index	September 2016	59	6,166	10
				(62)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,203,894,000. Net unrealized appreciation of investment securities for tax purposes was $36,526,000, consisting of unrealized gains of $156,588,000 on securities that had risen in value since their purchase and $120,062,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $374,422,000 of investment securities and sold $371,547,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	3,522	8,503
Issued in Lieu of Cash Distributions	6,660	6,890
Redeemed	(5,887)	(10,036)
Net Increase (Decrease) in Shares Outstanding	4,295	5,357

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 49% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

• **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

• **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Small Company Growth Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Fund Return	$1,000.00	$1,011.98	$1.75
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.12	1.76

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.35%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Variable Insurance Fund Small Company Growth Portfolio has renewed the portfolio's investment advisory arrangements with Granahan Investment Management, Inc. (Granahan), and The Vanguard Group, Inc. (Vanguard)—through its Quantitative Equity Group. The board also added Arrowpoint Asset Management, LLC (Arrowpoint Partners) to the portfolio's investment advisory team effective January 2016. Please see the Notice to Shareholders for more information regarding the board's approval of the advisor. The board determined that approving and renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders.

The board based its decisions upon an evaluation of each advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangements. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of each advisor. The board considered the following:

Arrowpoint Partners. Founded in 2007, Arrowpoint Partners offers a wide range of investment strategies, including equity, fixed income, and structured products. Arrowpoint Partners uses in-depth, fundamental research to uncover companies that it believes can control their own economic destiny. These companies are in the expansionary phase of their life cycle (going from small-cap to mid-cap). Potential investments are evaluated by focusing on return on equity, return on invested capital, earnings, and the use of financial leverage. This strategy results in a portfolio of stable growth companies, cyclical share gainers, and to a lesser extent game-changing growth businesses that the investment team feels will drive alpha over time. Arrowpoint Partners prioritizes minimizing downside risk over potential return, and it takes a long-term view evidenced by its historically low turnover rate. Arrowpoint Partners has managed a portion of the portfolio since 2016.

Granahan. Founded in 1985, Granahan specializes in small-cap growth equity. The firm uses fundamental research to select a portfolio of 150–170 stocks with sustainable growth characteristics. The advisor achieves portfolio diversification through dedicated allocations to three categories of growth companies: core growth (40%–70%), companies with strong market position and established profit growth; pioneers (15%–30%), companies with unique technology or innovations; and special situations (15%–30%), companies with a catalyst for change that could lead to growth. Granahan has advised the portfolio since its inception in 1996.

Vanguard. Vanguard has been managing investments for more than three decades. The Quantitative Equity Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth. Vanguard has managed a portion of the portfolio since 2008.

The board concluded that each advisor's experience, stability, depth, and performance, among other factors, warranted approval and continuation of the advisory arrangements.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangements should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Arrowpoint Partners or Granahan in determining whether to approve the advisory fees, because the firms are independent of Vanguard, and the advisory fees are the result of arm's-length negotiations. The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees, and produces "profits" only in the form of reduced expenses for shareholders.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the negotiated advisory fee rates with Arrowpoint Partners and Granahan without any need for asset-level breakpoints. The advisory fee rates are very low relative to the average rate paid by funds in the portfolio's peer group. The board also concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as the portfolio's assets managed by Vanguard increase.

The board will consider whether to renew the advisory arrangements again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Kathleen C. Gubanich	Thomas M. Rampulla
Martha G. King	Glenn W. Reed
John T. Marcante	Karin A. Risi
Chris D. McIsaac	Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.
2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People
Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Stevens Point, WI 54481