The Patriot

Sentry Variable Account II

Semiannual Report June 30, 2017

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

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June 30, 2017

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Janus Aspen Series

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- Portfolio performance, characteristics and holdings

Janus Henderson INVESTORS

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Janus Henderson VIT Forty Portfolio (unaudited)

PORTFOLIO SNAPSHOT
We believe that constructing a concentrated portfolio of quality growth companies will allow us to outperform our benchmark 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, 2017, the Portfolio’s Institutional Shares and Service Shares returned 19.04% and 18.90%, respectively, versus a return of 13.99% for the Portfolio’s primary benchmark, the Russell 1000 Growth Index. The Portfolio’s secondary benchmark, the S&P 500 Index, returned 9.34% for the period.

INVESTMENT ENVIRONMENT

U.S. equities experienced strong gains during the period. Stocks rose in the first quarter, buoyed by economic data points that suggested global economic growth and hopes that the Trump administration’s proposed pro-growth initiatives would further jump-start the economy. During the second quarter, strong corporate earnings and a low global interest rate environment continued to support stocks. The technology sector was the best-performing sector within the Russell 1000 Growth Index. The energy sector lagged the broader index, due in large part to falling oil prices.

PERFORMANCE DISCUSSION

The Portfolio outperformed 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 built clear, sustainable competitive moats around their businesses, which 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 these sustainable competitive advantages can be a meaningful driver of outperformance over longer time horizons because the market often underestimates the duration of growth for these companies and the long-term potential return to shareholders. This period we saw a number of companies in our portfolio put up impressive results, further validating our view that they are well positioned to grow in excess of the market.

Activision Blizzard was our largest contributor. Activision Blizzard’s stock has appreciated as the market has begun to recognize that the company’s digital transition enables a more durable cash flow stream and new avenues to monetize its franchises. We believe the trend toward digital gaming is a powerful tailwind for Activision. As gaming moves from physical game cartridges toward digital platforms, it reduces costs for Activision and makes it less reliant on the release of a new gaming console to drive game sales. Digital gaming also gives the company the ability to sell digital items to gamers in real-time. We also like that Activision has a number of popular game franchises, which makes the company less dependent on any single franchise and creates a loyal and receptive audience when a franchise launches a new release. We also believe Activision can improve monetization of games it acquired from King Digital by inserting advertisements into those games for the first time. Finally, we believe the company has an opportunity to monetize viewership of its games through eSports.

CSX Corp. also added to performance. The stock was up after an announcement that a new CEO with a history of improving operations at railroad companies was taking the helm at the company. We had long believed that CSX’s operating underperformance relative to other railroad companies left room for improvement, and believe better results will follow the new leadership. We believe a large rail network such as CSX’s is a valuable asset that would be hard, if not impossible, for other transportation and logistics companies to replicate. Railways also have a significant cost advantage over the trucking industry. As CSX focuses on improving its service and reliability to customers, we believe it will continue to drive more shippers to use the railway instead of trucking services.

Adobe Systems was another large contributor to performance. The stock appreciated after the company announced better-than-expected earnings results and increased guidance in each of the last two quarters. We believe the company will continue to grow profitability as its digital media business moves from a perpetual license-based business model to a subscription-based business model. We also believe Adobe's digital marketing business, which helps advertisers create digital content, is well positioned for the transition in advertising spending toward digital advertising platforms.

While pleased with our performance during the period, we still held stocks that detracted from our results. General Electric was our largest detractor. We have been disappointed in GE's cash flow conversion from its industrial businesses, and sold the position during the period.

Goldman Sachs was also a negative contributor. The company had disappointing first quarter results, as its trading business underperformed relative to its investment banking competitors. This doesn't change our long-term view. We believe the relationships Goldman has built with corporate clients and investors around the world give it a competitive advantage, and it can use that information to drive growth. We also like that Goldman has invested through the entire economic cycle, which should translate into market share gains.

Bristol Myers Squibb was another detractor. Disappointing clinical results for a trial pairing its cancer drug, Opdivo, with another treatment negatively affected the stock during the period. We sold the stock due to concerns the company's cancer treatments would lose market share within the immuno-oncology space.

OUTLOOK

We believe stocks are fairly valued, given the context of a low interest rate environment and a resilient, albeit slow-growing, economy. We would not expect further multiple expansion, but instead, earnings and free cash flow per share growth to dictate the trajectory of individual stock prices. We feel our portfolio is well positioned for such an environment.

As we've highlighted in some of our commentaries, many of our holdings are enabling some of the most powerful secular growth themes in today's economy: the shift from offline to online spending, the switch of enterprise software from on-premises data centers to the cloud and a proliferation of connected devices in the home and business, to name a few. These themes may be well known, but they remain nascent in their development. We believe our companies are still in the early innings of realizing their earnings potential as these themes push forward. We remain confident in their ability to grow earnings and welcome an environment where that growth is the key determinant of stock price appreciation.

Thank you for your investment in Janus Henderson VIT Forty Portfolio.

Janus Henderson VIT Forty Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Top Performers - Holdings

	Contribution
Activision Blizzard Inc	1.91%
CSX Corp	1.38%
Adobe Systems Inc	1.11%
Amazon.com Inc	1.08%
Alphabet Inc - C Class	1.00%

5 Bottom Performers - Holdings

	Contribution
General Electric Co	-0.40%
Goldman Sachs Group Inc	-0.24%
Bristol-Myers Squibb Co	-0.22%
Sealed Air Corp	-0.09%
Biogen Inc	-0.02%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Information Technology	3.10%	38.15%	32.86%
Consumer Discretionary	1.63%	15.10%	20.72%
Consumer Staples	0.52%	2.49%	9.08%
Industrials	0.43%	7.40%	10.78%
Health Care	0.31%	19.41%	15.83%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Financials	-0.50%	9.27%	2.86%
Materials	-0.44%	2.96%	3.56%
Other**	-0.42%	3.69%	0.00%
Utilities	0.00%	0.00%	0.03%
Energy	0.17%	0.00%	0.52%

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 Henderson VIT Forty Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Largest Equity Holdings - (% of Net Assets)

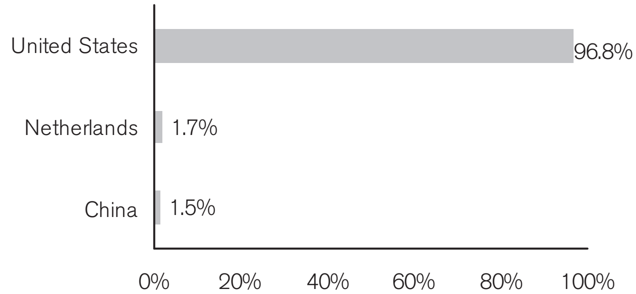
Alphabet Inc - Class C	
Internet Software & Services	6.0%
Microsoft Corp	
Software	5.0%
Activision Blizzard Inc	
Software	4.6%
Mastercard Inc	
Information Technology Services	4.5%
salesforce.com Inc	
Software	4.3%
	24.4%

Asset Allocation - (% of Net Assets)

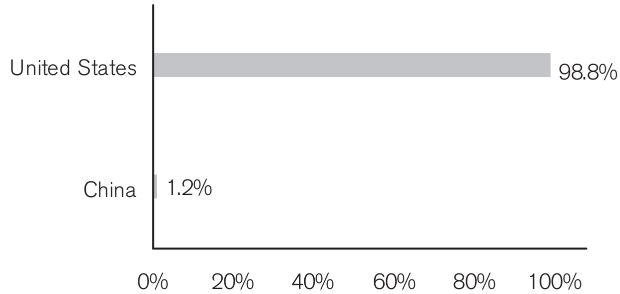
Common Stocks	93.3%
Investment Companies	6.0%
Other	0.7%
	100.0%

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

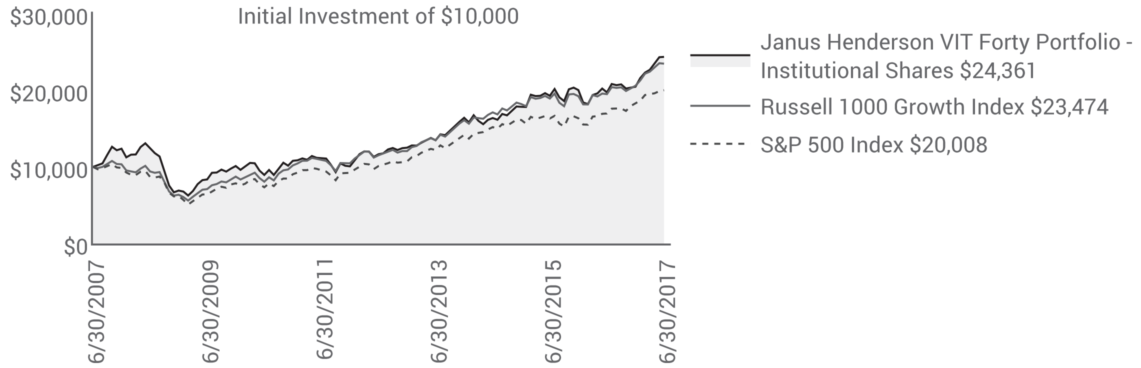
As of June 30, 2017



As of December 31, 2016



Janus Henderson VIT Forty Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2017						Expense Ratios - per the May 1, 2017 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	19.04%	23.49%	15.89%	9.31%	11.24%	0.74%
Service Shares	18.90%	23.22%	15.60%	9.04%	10.93%	0.99%
Russell 1000 Growth Index	13.99%	20.42%	15.30%	8.91%	7.16%	
S&P 500 Index	9.34%	17.90%	14.63%	7.18%	7.66%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Large Growth Funds	-	279/1,490	170/1,409	127/1,175	17/660	

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 877.335.2687 or visit janushenderson.com/VITperformance

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

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Returns shown do not represent actual returns since they do not include insurance charges. 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 Henderson VIT Forty Portfolio (unaudited)
Performance

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

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

See "Useful Information About Your Portfolio Report."

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

Janus Henderson VIT 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 (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Beginning Account Value (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Net Annualized Expense Ratio (1/1/17 - 6/30/17)
Institutional Shares	$1,000.00	$1,190.40	$4.24	$1,000.00	$1,020.93	$3.91	0.78%
Service Shares	$1,000.00	$1,189.00	$5.54	$1,000.00	$1,019.74	$5.11	1.02%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 181/365 (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 Henderson VIT Forty Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – 93.3%		
Aerospace & Defense – 1.6%		
General Dynamics Corp	59,190	$11,725,539
Auto Components – 2.1%		
Delphi Automotive PLC	182,068	15,958,260
Automobiles – 0.5%		
Tesla Inc*	10,251	3,706,864
Biotechnology – 4.6%		
Celgene Corp*	76,939	9,992,068
Regeneron Pharmaceuticals Inc*	49,844	24,480,382
		34,472,450
Capital Markets – 8.8%		
Charles Schwab Corp	374,762	16,099,776
Goldman Sachs Group Inc	87,752	19,472,169
Intercontinental Exchange Inc	310,057	20,438,958
S&P Global Inc	67,977	9,923,962
		65,934,865
Chemicals – 1.7%		
Sherwin-Williams Co	37,241	13,070,101
Construction Materials – 1.8%		
Vulcan Materials Co	103,252	13,079,963
Equity Real Estate Investment Trusts (REITs) – 1.6%		
Crown Castle International Corp	120,067	12,028,312
Food & Staples Retailing – 1.4%		
Costco Wholesale Corp	66,029	10,560,018
Health Care Equipment & Supplies – 4.8%		
Boston Scientific Corp*	695,753	19,286,273
DexCom Inc*	75,893	5,551,573
Intuitive Surgical Inc*	12,012	11,235,665
		36,073,511
Health Care Providers & Services – 1.7%		
Humana Inc	54,017	12,997,571
Hotels, Restaurants & Leisure – 1.5%		
Starbucks Corp	186,126	10,853,007
Information Technology Services – 7.1%		
Mastercard Inc	274,704	33,362,801
PayPal Holdings Inc*	372,899	20,013,489
		53,376,290
Internet & Direct Marketing Retail – 8.8%		
Amazon.com Inc*	31,017	30,024,456
Ctrip.com International Ltd (ADR)*	201,394	10,847,081
Netflix Inc*	63,469	9,482,903
Priceline Group Inc*	8,123	15,194,234
		65,548,674
Internet Software & Services – 11.6%		
Alphabet Inc - Class C*	49,016	44,542,310
CoStar Group Inc*	62,227	16,403,037
Facebook Inc	168,751	25,478,026
		86,423,373
Pharmaceuticals – 6.6%		
Allergan PLC	118,679	28,849,678
Zoetis Inc	326,524	20,368,567
		49,218,245
Road & Rail – 3.5%		
CSX Corp	484,109	26,412,987
Semiconductor & Semiconductor Equipment – 3.3%		
ASML Holding NV	99,116	12,915,806
Texas Instruments Inc	153,323	11,795,138
		24,710,944

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

Janus Henderson VIT Forty Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Software – 18.1%		
Activision Blizzard Inc	603,395	$34,737,450
Adobe Systems Inc*	144,940	20,500,314
Microsoft Corp	543,155	37,439,674
salesforce.com Inc*	375,333	32,503,838
Workday Inc*	103,428	10,032,516
		135,213,792
Textiles, Apparel & Luxury Goods – 2.2%		
NIKE Inc	282,670	16,677,530
Total Common Stocks (cost $477,937,093)		698,042,296
Investment Companies – 6.0%		
Money Markets – 6.0%		
Janus Cash Liquidity Fund LLC, 0.9803%[∞,£] (cost $44,912,018)	44,912,018	44,912,018
Total Investments (total cost $522,849,111) – 99.3%		742,954,314
Cash, Receivables and Other Assets, net of Liabilities – 0.7%		5,088,664
Net Assets – 100%		$748,042,978

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

Country	*Value*	*% of Investment Securities*
United States	$719,191,427	96.8 %
Netherlands	12,915,806	1.7
China	10,847,081	1.5
Total	$742,954,314	100.0 %

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

Janus Henderson VIT Forty Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

Russell 1000® Growth Index	Russell 1000® Growth Index reflects the performance of U.S. large-cap equities with higher price-to-book ratios and higher forecasted growth values.
S&P 500® Index	S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
ADR	American Depositary Receipt
LLC	Limited Liability Company
PLC	Public Limited Company

* Non-income producing security.

ºº Rate shown is the 7-day yield as of June 30, 2017.

£ 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, 2017. Unless otherwise indicated, all information in the table is for the period ended June 30, 2017.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 6/30/17*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/17*
Janus Cash Collateral Fund LLC	—	16,693,600	(16,693,600)	—	$—	$202(1)	$—
Janus Cash Liquidity Fund LLC	8,949,000	169,477,018	(133,514,000)	44,912,018	—	92,167	44,912,018
Total					$—	$92,369	$44,912,018

(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, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	***Level 2 - Other Significant Observable Inputs***	***Level 3 - Significant Unobservable Inputs***
Assets			
Investments in Securities:			
Common Stocks	$ 698,042,296	$ -	$ -
Investment Companies	-	44,912,018	-
Total Assets	$ 698,042,296	$ 44,912,018	$ -

Janus Henderson VIT Forty Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2017

Assets:		
Investments, at cost	$	522,849,111
Unaffiliated investments, at value		698,042,296
Affiliated investments, at value		44,912,018
Cash		533
Non-interested Trustees' deferred compensation		13,307
Receivables:		
Investments sold		8,448,471
Portfolio shares sold		280,269
Dividends		219,067
Foreign tax reclaims		68,884
Dividends from affiliates		37,277
Other assets		1,777
Total Assets		752,023,899
Liabilities:		
Payables:		
Investments purchased		2,740,816
Advisory fees		520,084
Portfolio shares repurchased		453,748
12b-1 Distribution and shareholder servicing fees		99,535
Transfer agent fees and expenses		35,549
Professional fees		15,660
Non-interested Trustees' deferred compensation fees		13,307
Portfolio administration fees		6,289
Non-interested Trustees' fees and expenses		4,097
Custodian fees		71
Accrued expenses and other payables		91,765
Total Liabilities		3,980,921
Net Assets	$	748,042,978
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	479,302,981
Undistributed net investment income/(loss)		663,938
Undistributed net realized gain/(loss) from investments		47,970,266
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		220,105,793
Total Net Assets	$	748,042,978
Net Assets - Institutional Shares	$	297,531,550
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		8,192,115
Net Asset Value Per Share	$	36.32
Net Assets - Service Shares	$	450,511,428
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		13,017,232
Net Asset Value Per Share	$	34.61

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2017

Investment Income:		
Dividends	$	3,854,013
Dividends from affiliates		92,167
Affiliated securities lending income, net		202
Other income		22
Foreign tax withheld		(16,123)
Total Investment Income		3,930,281
Expenses:		
Advisory fees		2,479,846
12b-1Distribution and shareholder servicing fees:		
Service Shares		560,758
Transfer agent administrative fees and expenses:		
Institutional Shares		70,629
Service Shares		112,152
Other transfer agent fees and expenses:		
Institutional Shares		5,018
Service Shares		4,769
Shareholder reports expense		42,998
Portfolio administration fees		33,093
Professional fees		19,386
Registration fees		15,930
Custodian fees		7,102
Non-interested Trustees' fees and expenses		6,686
Other expenses		29,902
Total Expenses		3,388,269
Net Investment Income/(Loss)		542,012
Net Realized Gain/(Loss) on Investments:		
Investments		48,442,551
Total Net Realized Gain/(Loss) on Investments		48,442,551
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		76,702,623
Total Change in Unrealized Net Appreciation/Depreciation		76,702,623
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	125,687,186

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Statements of Changes in Net Assets

	Period ended June 30, 2017 (unaudited)	Year ended December 31, 2016
Operations:		
Net investment income/(loss)	$ 542,012	$ (19,397)
Net realized gain/(loss) on investments	48,442,551	40,288,179
Change in unrealized net appreciation/depreciation	76,702,623	(26,711,467)
Net Increase/(Decrease) in Net Assets Resulting from Operations	125,687,186	13,557,315
Dividends and Distributions to Shareholders:		
Distributions from Net Realized Gain from Investment Transactions		
Institutional Shares	(15,738,032)	(37,062,653)
Service Shares	(24,926,390)	(65,123,788)
Net Decrease from Dividends and Distributions to Shareholders	(40,664,422)	(102,186,441)
Capital Share Transactions:		
Institutional Shares	7,612,434	(7,170,480)
Service Shares	(32,110,730)	(13,410,718)
Net Increase/(Decrease) from Capital Share Transactions	(24,498,296)	(20,581,198)
Net Increase/(Decrease) in Net Assets	60,524,468	(109,210,324)
Net Assets:		
Beginning of period	687,518,510	796,728,834
End of period	$ 748,042,978	$ 687,518,510
Undistributed Net Investment Income/(Loss)	$ 663,938	$ 121,926

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$32.19	$36.37	$40.27	$53.34	$40.95	$33.22
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.05(1)	0.05(1)	0.03(1)	0.03(1)	0.38	0.47
Net realized and unrealized gain/(loss)	6.11	0.58	4.77	3.08	12.34	7.54
Total from Investment Operations	6.16	0.63	4.80	3.11	12.72	8.01
Less Dividends and Distributions:						
Dividends (from net investment income)	—	—	—	(0.09)	(0.33)	(0.28)
Distributions (from capital gains)	(2.03)	(4.81)	(8.70)	(16.09)	—	—
Total Dividends and Distributions	(2.03)	(4.81)	(8.70)	(16.18)	(0.33)	(0.28)
Net Asset Value, End of Period	$36.32	$32.19	$36.37	$40.27	$53.34	$40.95
Total Return*	19.04%	2.20%	12.22%	8.73%	31.23%	24.16%
Net Assets, End of Period (in thousands)	$297,532	$257,009	$295,725	$299,546	$355,429	$488,374
Average Net Assets for the Period (in thousands)	$284,515	$273,374	$298,904	$307,359	$491,231	$512,799
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.78%	0.72%	0.69%	0.57%	0.55%	0.55%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.78%	0.72%	0.69%	0.57%	0.55%	0.55%
Ratio of Net Investment Income/(Loss)	0.31%	0.15%	0.08%	0.07%	0.31%	1.03%
Portfolio Turnover Rate	17%	53%	55%	46%	61%	10%

Service Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$30.79	$35.08	$39.21	$52.40	$40.28	$32.72
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.01(1)	(0.03)(1)	(0.06)(1)	(0.07)(1)	—(2)	0.31
Net realized and unrealized gain/(loss)	5.84	0.55	4.63	2.99	12.38	7.47
Total from Investment Operations	5.85	0.52	4.57	2.92	12.38	7.78
Less Dividends and Distributions:						
Dividends (from net investment income)	—	—	—	(0.02)	(0.26)	(0.22)
Distributions (from capital gains)	(2.03)	(4.81)	(8.70)	(16.09)	—	—
Total Dividends and Distributions	(2.03)	(4.81)	(8.70)	(16.11)	(0.26)	(0.22)
Net Asset Value, End of Period	$34.61	$30.79	$35.08	$39.21	$52.40	$40.28
Total Return*	18.90%	1.94%	11.94%	8.47%	30.89%	23.82%
Net Assets, End of Period (in thousands)	$450,511	$430,510	$501,003	$492,253	$526,971	$471,002
Average Net Assets for the Period (in thousands)	$452,149	$464,943	$501,868	$493,575	$486,845	$468,967
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	1.02%	0.97%	0.94%	0.82%	0.81%	0.80%
Ratio of Net Expenses (After Waivers and Expense Offsets)	1.02%	0.97%	0.94%	0.82%	0.81%	0.80%
Ratio of Net Investment Income/(Loss)	0.05%	(0.09)%	(0.17)%	(0.17)%	0.04%	0.81%
Portfolio Turnover Rate	17%	53%	55%	46%	61%	10%

* 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 Henderson VIT Forty Portfolio (formerly named Janus Aspen Forty Portfolio) (the “Portfolio”) is a series 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, each of which offers multiple share classes, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. 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, 2017 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") of 2010 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"). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, 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.

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 (if applicable). 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, 2017.

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 based on the Portfolio's relative performance compared to the cumulative investment record of its benchmark index over a 36-month performance measurement period or shorter time period, as applicable..

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, 2017, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.68%.

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 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 some or all of the 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 $1,138 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2017. 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 Henderson 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, 2017 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, 2017 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 $206,075 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2017.

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, 2017 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, 2017, the Portfolio engaged in cross trades amounting to $30,054,882 in sales, resulting in a net realized gain of $7,687,771. The net realized gain is included within the "Net Realized 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, 2017 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)*
$ 523,462,397	$219,514,445	$ (22,528)	$ 219,491,917

5. Capital Share Transactions

	Period ended June 30, 2017		Year ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	475,717	$ 16,799,318	699,774	$ 23,356,199
Reinvested dividends and distributions	427,548	15,738,032	1,192,492	37,062,653
Shares repurchased	(695,905)	(24,924,916)	(2,038,134)	(67,589,332)
Net Increase/(Decrease)	207,360	$ 7,612,434	(145,868)	$ (7,170,480)
Service Shares:				
Shares sold	720,628	$ 24,643,727	1,166,469	$ 37,891,921
Reinvested dividends and distributions	710,558	24,926,390	2,187,564	65,123,788
Shares repurchased	(2,397,091)	(81,680,847)	(3,651,743)	(116,426,427)
Net Increase/(Decrease)	(965,905)	$(32,110,730)	(297,710)	$(13,410,718)

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2017, 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*
$119,303,857	$ 232,577,047	$ -	$ -

7. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X is August 1, 2017. Management believes that many of the Regulation S-X amendments are consistent with the Portfolio's current financial statement presentation and will not have a significant impact on the Portfolio.

The FASB issued Accounting Standards Update No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08") to amend the amortization period for certain purchased callable debt securities held at a premium. The guidance requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impacts of ASU 2017-08 on the financial statements.

8. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. ("JCGI"), the direct parent of Janus Capital, and Henderson Group plc ("Henderson") announced that they had entered into an Agreement and Plan of Merger ("Merger Agreement") relating to the strategic combination of Henderson and JCGI (the "Merger"). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson will merge with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson.

The consummation of the Merger may be deemed to be an "assignment" (as defined in the 1940 Act) of the advisory agreement between the Portfolio and Janus Capital that is in effect as of the date of this Report. As a result, the consummation of the Merger will cause the investment advisory agreement to terminate automatically in accordance with its terms.

On December 8, 2016, the Trustees approved, subject to approval of shareholders, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger ("Post-Merger Advisory Agreement"). The Post-Merger Advisory Agreement will have substantially similar terms as the corresponding investment advisory agreement that is in effect as of the date of this Report.

Approval of Advisory Agreements

On April 18, 2017, shareholders of the Portfolio approved the Post-Merger Advisory Agreement with Janus Capital. The Post- Merger Advisory Agreement took effect upon the consummation of the Merger.

9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2017 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 1-877-335-2687 (toll free); (ii) on the Portfolio's website at janushenderson.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 janushenderson.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 Henderson at 1-877-335-2687 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

What follows is a discussion of the material factors and conclusions with respect thereto that formed the basis for the Trustees of Janus Aspen Series' approval of the investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, during the period. This discussion references a Transaction (as defined below) to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., which resulted in the Trustees' consideration of new investment advisory agreements for the Funds and sub-advisory agreements for the Funds, as applicable. During the period, the Trustees also approved the renewal of the existing investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, which were subsequently replaced by the new investment advisory and sub-advisory agreements at the close of the Transaction on May 30, 2017.

Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

On September 15, 2016, Janus Capital Group Inc. ("Janus") advised the Trustees of Janus Aspen Series (the "Trust"), each of whom serves as an "independent" Trustee (the "Board" or the "Trustees"), of its intent to seek a strategic combination of its advisory business with Henderson Group plc ("Henderson"). The Board met with the Chief Executive Officer of Janus, who outlined the proposed combination and the potential benefits to Janus Capital Management LLC ("Janus Capital") and each Fund of the Trust (each, a "Fund" and collectively, the "Funds").

Subsequent to the September 15, 2016 meeting, the Trustees identified a list of basic principles, which they believed should serve as the foundation for their review of the organizational, operational and strategic issues involved with any potential change in control of Janus Capital, the investment adviser to the Funds. These basic principles were communicated to Janus Capital on September 27, 2016, and were intended to be shared with Henderson. On October 3, 2016, Janus announced that it had entered into a definitive Agreement and Plan of Merger with Henderson pursuant to which Janus and Henderson agreed to effect an all-stock merger of equals strategic combination of their respective businesses, with Janus Capital surviving the merger as a direct wholly-owned subsidiary of Henderson (the "Transaction"). The Board was advised that, subject to certain conditions, the Transaction is currently expected to close during the second quarter of 2017.

As part of its due diligence, the Board developed an initial list of questions related to the proposed transaction, which was provided to Janus Capital on October 6, 2016. At a special Board meeting held on October 19, 2016, the Board considered Janus Capital's response to the initial information request and met with the management of Janus to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, addressing, among other matters, the personnel expected to provide such services, and the resources available to do so. After its October 19, 2016 meeting, the Board developed a supplemental request for additional information, which was provided to Janus Capital on October 26, 2016. At another special Board meeting held on November 7-8, 2016, the Board considered Janus Capital's response to the supplemental information request and again met with the management of Janus and Henderson to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, and also met with various officers of the Funds and of Janus Capital including various Fund portfolio managers. After its November 7-8, 2016 meeting, the Board developed a second supplemental request for additional information, which was provided to Janus Capital on November 21, 2016. On December 7-8, 2016, the Board met to consider Janus

Capital's response to the second supplemental information request and to also consider the proposed new investment advisory agreements between the Trust, on behalf of each Fund, and Janus Capital (each, a "New Advisory Agreement" and collectively, the "New Advisory Agreements") and the new sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH Investment Management LLC ("INTECH") or Perkins Investment Management LLC ("Perkins") as sub-advisers (each, a "New Sub-Advisory Agreement" and collectively, the "New Sub-Advisory Agreements") to take effect immediately after the Transaction or shareholder approval, whichever is later. During each of these meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. Throughout the process, the Board had the assistance of its independent legal counsel, who advised them on, among other things, its duties and obligations.

In connection with the Board's review, Janus Capital provided, and the Board obtained, substantial information regarding the following matters: the management, financial position and business of Henderson; the history of Henderson's business and operations; the investment performance of the investment companies advised by Henderson; the proposed structure, operations and investment processes of the combined investment management organization after the Transaction and the strategy for operating and growing the business following the Transaction; the future plans of Janus and Henderson with respect to the Funds and any proposed changes to the operations or structure of the Funds; and the future plans of Janus and Henderson with respect to the provision of services to the Funds, and the entities providing such services, including those affiliated with Janus. The Board also received information regarding the terms of the Transaction, anticipated management of the combined organization, the resources that each of Janus and Henderson bring to the combined organization and the process being followed by Janus and Henderson to integrate their organizations. The Board also received information regarding the impact of the Transaction on each of INTECH and Perkins.

In connection with the Board's approval of New Advisory Agreements and New Sub-Advisory Agreements at its December 8, 2016 meeting, the Board also continued its on-going annual process to determine whether to continue the existing investment advisory agreements between Janus Capital and the Trust on behalf of each Fund (each, a "Current Advisory Agreement" and collectively, the "Current Advisory Agreements") and the existing sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH or Perkins as sub-advisers (each, a "Current Sub-Advisory Agreement" and collectively, the "Current Sub-Advisory Agreements"). In this regard, the Board received and reviewed information provided by Janus and the respective Sub-Advisers in response to requests of the Board and its independent legal counsel. The Board also received and reviewed information and analysis provided by, and in response to requests of, its independent fee consultant. The Board noted that as part of this annual process, the Board had considered and was in the process of considering, numerous factors, including the nature and quality of services provided by Janus Capital and each Sub-Adviser, as applicable; investment performance, on an absolute basis and relative to appropriate peer groups and one or a combination of market indices; investment management fees, expense ratios and asset sizes of the Funds and peer groups; investment management fees charged to comparable investment companies, separate accounts and non-fund clients; Janus Capital's profitability from managing the Funds; fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital; and the potential benefits to Janus Capital, the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In determining whether to approve the New Advisory Agreement for each Fund and the New Sub-Advisory Agreement for Funds managed by INTECH or Perkins in connection with the Transaction, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- The terms of the New Advisory Agreements are substantially similar to the corresponding Current Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.
- The terms of the New Sub-Advisory Agreements are substantially similar to the corresponding Current Sub-Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Sub-Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.

- Janus Capital's plans for the operation of the Funds, including its plans for the continued provision of all services currently provided to the Funds by Janus Capital and its affiliates, including, among others, investment advisory services, portfolio trading services, and Fund administrative and accounting services, and the personnel and resources proposed to support the provision of such services.
- The estimated profitability to Janus Capital from managing the Funds after the Transaction, including potential economies of scale and fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital, and the potential benefits to Janus Capital, and the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In connection with its deliberations, the Board received assurances from Janus, on behalf of itself and its affiliates (collectively, "Janus") including the following:

- Janus has provided to the Board such information as it believes is reasonably necessary to evaluate the New Advisory Agreements and New Sub-Advisory Agreements.
- Janus is committed to the continuance, without interruption, of services to the Funds of at least the type and quality currently provided by Janus Capital and its affiliates, or superior thereto.
- The Transaction is not expected to affect negatively the nature, extent or quality of the investment advisory services provided by Janus Capital to the Funds following the Transaction, and the investment advisory services are expected to be at least comparable to the services being provided under the Current Advisory Agreements and Current Sub-Advisory Agreements. In this regard, the Board noted specific representations that Janus does not intend for the nature, extent or quality of investment advisory and other services to be provided to the Funds following the Transaction to change, and the extent of such services were expected to increase based on the combined resources of the combined investment management organization after the Transaction, and should the nature, extent or quality of such services decline, Janus would commit the resources needed to return such services to pre-Transaction levels.
- The Funds' current operations were expected to remain largely unchanged, except for certain fund reorganizations which will be separately considered by the Board, and such other changes as were or will be presented to the Board.
- The Transaction is not expected to result in any changes to the portfolio managers providing services to the Funds.
- After the Transaction, the distribution and marketing services provided to the Janus Funds were expected to be improved or enhanced based on the combined resources of Janus and Henderson. In this regard, Janus Capital advised the Board that after the Transaction, the extent of distribution and marketing services provided to the Janus Funds are expected to increase based on the combined resources of Janus and Henderson. This is due primarily to the anticipated increase of sales related resources and expanded global presence of the combined Janus Henderson organization, which is expected to enhance visibility and brand recognition of the Janus Henderson Funds.
- The intent of Janus Capital to take the necessary and appropriate steps to retain and attract key investment advisory personnel.
- The intent of Janus to take the necessary and appropriate steps to retain and attract key compliance, financial, fund accounting and administrative personnel supporting the management and oversight of the Funds.
- Janus is not aware of any express or implied term, condition, arrangement or understanding that would impose in its best judgement an "unfair burden" on any Fund as a result of the Transaction, as defined in Section 15(f) of the 1940 Act, and that Janus will take no action that would have the effect of imposing such an "unfair burden" on any Fund in connection with the Transaction.

Janus assured the Board that it intended to comply with Section 15(f) of the Investment Company Act of 1940, as amended. Section 15(f) provides a non-exclusive safe harbor for an investment adviser to an investment company or any of its affiliated persons to receive any amount or benefit in connection with a change in control of the investment adviser so long as two conditions are met. First, for a period of three years after the transaction, at least 75% of the

board members of the investment company must not be interested persons of such investment adviser (as defined under the 1940 Act). The composition of the Board is in compliance with this provision of Section 15(f). In addition, after careful review and consideration, the Board determined that it would be in the best interests of the Funds to add to the Board an individual who currently acts as a non-interested board member of the Henderson Trust. The Board believes that this change in the Board composition will provide perspective and insight relating to experience working with the Henderson organization. The Board's Nominating and Governance Committee considered a number of candidates and recommended that the Board nominate one proposed new trustee from those candidates who currently act as non-interested board members of the Henderson Trust. The Board approved that trustee nominee to serve on the Board, subject to election by the shareholders of the Funds and contingent on the closing of the Transaction. If the new trustee is elected and serves on the Board, the Board composition would continue to satisfy the provisions of Section 15(f).

To meet the second condition of Section 15(f), an "unfair burden" must not be imposed upon the investment company as a result of such transaction or any express or implied terms, conditions or understandings applicable thereto. The term "unfair burden" is defined in Section 15(f) to include any arrangement during the two-year period after the transaction, whereby the investment adviser, or any interested person of such adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its shareholders (other than fees for bona fide investment advisory or other services) or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than bona fide ordinary compensation as principal underwriter for such investment company).

Janus represented that it does not believe that an "unfair burden" will be placed on the Funds as a result of the Transaction. In furtherance thereof, Janus has undertaken to pay the costs of preparing and distributing proxy materials to, and of holding the meetings of, the Funds' shareholders (the "Meetings"), as well as other fees and expenses in connection with the Transaction, including the reasonable fees and expenses of legal counsel and consultants to the Funds and the Trustees. In addition, Janus has agreed, for a period of two years following the closing of the Transaction, (i) not to request any increases to advisory fees for the Funds, other than those proposed to and approved by the Board prior to the close of the Transaction, and (ii) to continue to use the current process by which expense caps are set annually for the Funds.

As a result of its review and consideration of the New Investment Advisory Agreements and New Sub-Advisory Agreements in connection with the Transaction, at a meeting on December 8, 2016, the Board voted unanimously to approve a New Investment Advisory Agreement for each Fund and a New Sub-Advisory Agreement for each Fund managed by INTECH or Perkins, and to recommend such agreements to the Funds' shareholders for their approval.

Approval of Interim Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

In the event shareholders of a Fund do not approve such Fund's New Advisory Agreement and/or New Sub- Advisory Agreement at the Meetings prior to the closing of the Transaction, Janus Capital proposed that an interim investment advisory agreement between Janus Capital and such Fund (each, an "Interim Advisory Agreement" and collectively, the "Interim Advisory Agreements") and an interim sub-advisory agreement between Janus Capital and the applicable Sub-Adviser (each, an "Interim Sub-Advisory Agreement" and collectively, the "Interim Sub- Advisory Agreements") take effect upon the closing of the Transaction. At the December 8, 2016 meeting, the Board, all of whom are Independent Trustees, unanimously approved an Interim Advisory Agreement for each Fund and an Interim Sub-Advisory Agreement for each applicable Fund in order to assure continuity of investment advisory services to the Funds and sub-advisory services to the sub-advised Funds after the Transaction. The terms of each Interim Advisory Agreement are substantially identical to those of the applicable Current Advisory Agreement and New Advisory Agreement, except for the term and escrow provisions described below. Similarly, the terms of each Interim Sub-Advisory Agreement are substantially identical to those of the Current Sub-Advisory Agreements and New Sub-Advisory Agreements, except for the term and escrow provisions described below. The Interim Advisory Agreement and Interim Sub-Advisory Agreement will continue in effect for a term ending on the earlier of 150 days from the closing of the Transaction (the "150-day period") or when shareholders of the Fund approve the New Advisory Agreement and/or New Sub-Advisory Agreement. Pursuant to Rule 15a-4 under the 1940 Act, compensation earned by Janus Capital under an Interim Advisory Agreement and compensation earned by a Sub-Adviser under an Interim Sub-Advisory Agreement will be held in an interest-bearing escrow account. If shareholders of a Fund approve the New Advisory Agreement prior to the end of the 150-day period, the amount held in the escrow account under the Interim Advisory Agreement will be paid to Janus Capital. If shareholders of a Fund approve the New Advisory Agreement and New Sub-Advisory Agreement prior to the

end of the 150-day period, the amount held in the escrow account under the Interim Sub-Advisory Agreement will be paid to the Sub- Adviser. If shareholders of a Fund do not approve the New Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and Janus Capital will be paid the lesser of its costs incurred in performing its services under the Interim Advisory Agreement or the total amount in the escrow account, plus interest earned. If shareholders of a Fund do not approve the New Advisory Agreement and/or New Sub-Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and the Sub-Adviser will be paid the lesser of its costs incurred in performing its services under the Interim Sub-Advisory Agreement or the total amount in the escrow account, plus interest earned.

Approval of an Amended and Restated Investment Advisory Agreement for Janus Henderson Research Portfolio (formerly, Janus Portfolio)

Janus Capital met with the Trustees on December 7-8, 2016, to discuss the approval of an amended and restated investment advisory agreement (the "Amended Advisory Agreement") between Janus Capital and the Trust on behalf of Janus Portfolio (for the purposes of this section, the "Fund" refers to Janus Portfolio) and other matters related to the proposed changes to the Fund's name, principal investment strategies, and portfolio management team (the "Realignment"). At the meeting, the Trustees also discussed the Amended Advisory Agreement and other matters related to the Realignment with their independent counsel in executive session. During the course of this meeting, the Trustees requested and considered such information as they deemed relevant to their deliberations. In addition, at prior meetings and during the course of this meeting the Board also considered the proposal to merge the Janus Fund, a series of Janus Investment Fund, into the Janus Research Fund, another series of Janus Investment Fund, and undertook a comprehensive process to evaluate the impact of the Transaction on the nature, quality and extent of services expected to be provided by Janus Capital to the Fund, including after the completion of the Transaction. For a fuller discussion of the Board's consideration of the approval of a new investment advisory agreement for the Fund in connection with the Transaction, see "Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period" above.

At a meeting of the Board of Trustees held on December 8, 2016, the Trustees approved the Amended Advisory Agreement and other matters related to the Realignment. In determining whether to approve the Amended Advisory Agreement, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- the terms of the Amended Advisory Agreement are substantially the same as the Current Advisory Agreement, except for the change to the advisory fee rate based on the amount of such outperformance or underperformance (the "Full Performance Rate") and cumulative investment record of the Fund's benchmark index (the "Performance Fee Benchmark");
- the estimated impact of the change to the Full Performance Rate and Performance Fee Benchmark on the amount of advisory fees to be paid by the Fund, including consideration of comparative pro forma data showing the advisory fees payable if the Amended Advisory Agreement had been in place in prior years;
- the Fund's investment team will be able to more efficiently manage the Fund's portfolio, assuming the merger of the Janus Fund into Janus Research Fund is implemented, which may also provide benefits from opportunities to aggregate trading across funds that have similar investment strategies;
- Janus Capital's belief that the Fund shareholders may benefit from the Realignment, as a result of the research- driven investment process to be implemented, which includes lower historical transaction costs and potential performance gains from securities lending as compared to the Fund's current investment approach;
- the Realignment was being proposed as part of Janus Capital's efforts to streamline its product line;
- Janus Capital's belief that the Fund would benefit from Janus Capital's operational efficiencies resulting from the merger of the Janus Fund into the Janus Research Fund and the Realignment, including a potentially more efficient and effective investment management approach providing the potential for a growing fund and improved performance after the Realignment;
- the costs of seeking approval of the Amended Advisory Agreement will be borne by Janus Capital;

- the costs incurred to reposition the Fund's portfolio in connection with the Realignment;
- the potential tax consequences of any repositioning of the Fund's portfolio as a result of the Merger; and any potential benefits of Janus Capital and its affiliates as a result of the Realignment.

Renewal of Advisory and Sub-Advisory Agreements with Janus Capital and Janus Capital Affiliates 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.

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the proposed transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which Janus Capital advised the Trustees was expected to close in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements both prior to the close of the Transaction, and afterwards, if the Transaction were not to close. If the Transaction closes, all such agreements would be replaced by new investment advisory agreements and subadvisory agreements, as applicable, for each Fund, assuming requisite Fund shareholder approvals have been obtained.

At a meeting held on January 26, 2017, 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 February 1, 2017 through February 1, 2018, 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, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, 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, 2016.
- For Janus Henderson Real Return Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Short-Term Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Mid Cap Value Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Value Plus Income Fund (formerly, 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, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Income Managed Volatility Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson Asia Equity Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Life Sciences Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Overseas Fund (formerly, Janus Henderson Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Balanced Portfolio (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Flexible Bond Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Mid Cap Value Portfolio (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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.

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 average 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 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average 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 average total expenses for its Broadridge Expense Group peers and to average 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) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; and (4) in the majority of cases, the Funds receive proportionally better pricing than the industry in relation to Janus institutional and subadvised accounts.

The Trustees considered the fees for each Fund for its fiscal year ended in 2015, 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, 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 Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average 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 Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's total expenses exceeded the peer group average for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group average 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 Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's total expenses were below the peer group average 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 Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Value Plus Income Fund (formerly, Perkins Value Plus Income Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Income Managed Volatility Fund (formerly, INTECH Global Income Managed Volatility Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio (formerly, Janus Aspen Balanced Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Flexible Bond Portfolio (formerly, Janus Aspen Flexible Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for its sole share class.
- For Janus Henderson Research Portfolio (formerly, 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 Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average 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 their independent fee consultant's analysis of economies of scale in 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 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% 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 past 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 Henderson VIT 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, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson 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 Henderson VIT Forty Portfolio
Shareholder Meeting (unaudited)

Special meetings of shareholders were held on April 6, 2017 and adjourned and reconvened on April 18, 2017 (together, the "meeting"). At the meeting, the following matters were voted on and approved by shareholders. Each vote reported represents one dollar of net asset value held on the record date for the meeting. The results of the meeting are noted below.

Proposals

1. For all Portfolios, to approve a new investment advisory agreement between the Trust, on behalf of the Portfolio, and Janus Capital Management LLC.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
707,943,698.351	556,600,169.135	27,158,670.792	45,622,739.881	(0.017)	629,381,579.790

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
78.622	3.836	6.444	0.000	88.903	88.436	4.315	7.249	0.000	100.000

4. To elect an additional Trustee to the Board of Trustees of the Trust. - Diane L. Wallace.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.947	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.343	90.950	9.050	0.000	0.000	100.000

Alan A. Brown, William D. Cvengros, Raudline Etienne, William F. McCalpin, Gary A. Poliner, James T. Rothe, William D. Stewart and Linda S. Wolf continue to serve as Trustees following the meeting.

5. For all Portfolios, except Global Unconstrained Bond Portfolio, to approve a proposal that would authorize the Adviser to enter into and materially amend sub-advisory agreements in the future with wholly-owned subadvisers and unaffiliated sub-advisers, with the approval of the Board of Trustees of the Trust, but without obtaining additional shareholder approval.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
707,943,698.351	481,385,104.460	82,767,258.705	65,229,216.623	0.003	629,381,579.790

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
67.998	11.691	9.214	0.000	88.903	76.485	13.151	10.364	0.000	100.000

Knowledge. Shared

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos Knowledge. Shared.

Learn more by visiting janushenderson.com.

This report is submitted for the general information of shareholders of the Portfolio. It is not an offer or solicitation for the Portfolio and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

Portfolios distributed by Janus Henderson Distributors

109-24-81115 08-17

SEMIANNUAL REPORT
June 30, 2017

Janus Henderson VIT Balanced Portfolio (formerly named Janus Aspen Balanced Portfolio)

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT 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 Henderson VIT Balanced Portfolio's Institutional Shares and Service Shares returned 8.49% and 8.35%, respectively, for the six-month period ended June 30, 2017. That compares with 9.34% for the Portfolio's primary benchmark, the S&P 500 Index, and 2.27% for the Portfolio's secondary benchmark, the Bloomberg 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 Bloomberg Barclays U.S. Aggregate Bond Index, returned 6.12%.

INVESTMENT ENVIRONMENT

Equity markets started the year strong. The Trump administration's pro-growth fiscal platform continued to inspire optimism around the potential for greater economic expansion. U.S. economic data confirmed that the economy was already on the right track. Consumer and business confidence surveys registered multi-year highs. The labor market strengthened and key inflation measures rose. This backdrop supported the Federal Reserve's (Fed) decision to implement its first interest rate increase of the year. However, Washington's general lack of progress on reform initiatives caused investors to begin reassessing the reflation trade. Downward pressure on the price of crude oil amid a ramp-up in U.S. production created further uncertainty on the inflation front.

Yet stocks continued gaining ground in the latter half of the period, with several equity benchmarks achieving record highs. Risk assets were supported by the strong first quarter earnings season in which nearly all sectors exceeded consensus sales and earnings estimates. Economic data, however, turned decidedly weaker. Specifically, core inflation as measured by the Consumer Price Index receded to 1.7% in May, the lowest reading since June 2015. Tepid economic data aside, the Fed raised its benchmark rate by another 25 basis points in June, and late in the period, Chairwoman Janet Yellen indicated that the economy was likely healthy enough to withstand additional increases. On a sector basis, technology and health care stocks outpaced the broader market during the period, while telecommunications and energy generated negative returns. Energy was the weakest-performing sector as oil prices slipped.

The U.S. yield curve flattened over the last six months. Front-end yields rose on Fed-driven volatility. Intermediate and longer dated yields rallied as investors expressed renewed concern over the economic outlook. Corporate credit spreads, on both investment grade and high yield, finished tighter, spurred in part by the successful corporate earnings season.

PERFORMANCE DISCUSSION

The equity-to-fixed-income allocation ended the period approximately 63% equity, 37% fixed income and a small allocation to cash. Our equity allocation may vary based on market conditions, and currently reflects our view that on a risk-adjusted basis, equities present more attractive opportunities relative to fixed income.

The Portfolio's equity sleeve outperformed its benchmark, the S&P 500 Index. At the sector level, stock selection in industrials drove outperformance. Our significant underweight allocation in the poor-performing energy sector also proved beneficial. While we are cautiously adding energy names, we are wary of the sector's ability to secure dividend payouts, and we remain comfortable with our underweight. Incremental returns on capital are too low, in our view, and we believe many companies still need to improve their balance sheets. A zero weighting in the telecommunications services sector, which has been negatively affected by increased price competition, further aided relative results. Stock selection in financials, consumer staples and materials detracted from relative performance.

Boeing led absolute contributors during the period. Global air traffic continues to grow, which results in more wear and tear on jets and faster replacement of planes – providing a favorable backdrop for the company's commercial airline business. Additionally, the debut of its 737 MAX narrow-body aircraft was well received by investors. Positive tailwinds for the defense sector, which accounts for roughly 30% to 40% of Boeing's business, also boosted the stock during the period. We like Boeing's ability to generate free cash flow, which management often returns to shareholders. We also appreciate the recent dividend increase.

CSX Corp. was another large contributor to performance. Positive sentiment surrounded the railroad company's successively improving operations efficiency metrics. We anticipate that recently appointed CEO Hunter Harrison will continue to implement operational changes and further improve upon efficiency gains at an accelerated pace. Overall rail volume remains generally positive, and we believe industry fundamentals provide a favorable backdrop for revenues. As CSX focuses on improving its service and reliability to customers, we also believe it will continue to drive more shippers to use the railway instead of trucking services.

Software company Adobe Systems also contributed to performance. Our investment thesis was validated as the company's shift from a licensed-software model to a recurring revenue, subscription-based model continued to accelerate. We appreciate the higher predictability of earnings and cash flow associated with the new approach. Additionally, Omniture, the company's online marketing tool, had better-than-expected growth during the period.

While the aforementioned stocks contributed to performance, some of our holdings detracted from results.

Synchrony Financial was the largest detractor. The stock of this private-label credit card issuer fell amid general weakness in retail during the period and heightened loss provisions. Given Synchrony's strong recent growth, increased loss provisions were widely expected, but the reported increase exceeded expectations and hurt credibility among investors. We believe the company continues to provide a valuable service to retailers. We also appreciate the meaningful return on equity to investors.

Kroger was another top detractor. To offset competitive threats and new entrants in certain markets, the grocer had aggressively lowered prices. This change, combined with the fact that the national grocery store chain had a larger-than-expected LIFO charge as food price deflation turned to inflation in the second half of the period, ultimately lowered the company's earnings guidance. Late in the period, Amazon's announced acquisition of Whole Foods sent supermarkets' stocks down across the board. We believe the capital investments that Kroger is making in new and existing stores, as well as in its supply chain, will eventually lead to higher free cash flow per share. However, we are concerned about the increased competition from a number of players and are closely monitoring the stock.

Mattel also weighed on performance. Early in the year, the toy company named former Google executive Margaret Georgiadis as the new CEO. The stock was negatively impacted by a series of decisions made by new management, including reducing the dividend, increasing investment in technology and lowering revenue guidance for 2017. While these decisions hurt the stock price in the short term, we believe management is taking the right steps to improve the business over the long term. We also like Mattel's brand lineup, which leaves it well positioned in a healthy industry.

The Portfolio's fixed income sleeve outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. Outperformance was driven by our positioning in Treasury securities, largely due to yield curve positioning. Our overweight allocation in the long bond proved beneficial as the yield curve flattened. Our investment-grade corporate credit positioning also contributed positively to relative performance. Our overweight allocation benefited results as spreads tightened, and our security selection was particularly strong. Our emphasis on owning securities in the lowest tier of investment-grade ratings aided results, as "riskier" assets performed well during the period. For similar reasons, an out-of-index allocation to high yield contributed positively to performance. However, with long-term rates rallying, our limited exposure to long duration corporate bonds partially offset these gains. Our continued focus on securities that provide greater spread carry than the index supported results. Carry is a measure of excess income generated by the Portfolio's holdings. Despite generating positive returns, our out-of-index position in bank loans, an asset class with no rate duration, detracted on a relative basis. Many benchmark constituents – which benefited from price appreciation as long-term rates declined – performed better.

On a credit sector basis, relative contributors included banking and brokerage, asset managers and exchanges. Financials generally benefited from the prospect of a more relaxed regulatory environment under the Trump administration and rising interest rates, which help pad net interest income. Our overweight allocations in both sectors proved beneficial. Within banking, security selection further aided outperformance, largely due to preferred exposure and bank hybrids, which behave akin to high-yield corporate credit.

Security selection also helped in brokerage, asset managers and exchanges. Two financial related issuers, Neuberger Berman and Raymond James Financial, were among the top individual corporate credit contributors, on a relative basis. Neuberger Berman benefited from solid first quarter earnings results and increased liquidity in the name after the company issued a bond early in the period. Although we continue to like the company's conservative management team and its commitment to reducing leverage, our target valuation was realized and we trimmed our position. In regard to Raymond James, we like the stability of the company's business model and appreciate the management team's conservative approach to the balance sheet. Standard & Poor's upgraded the company's credit rating during the period and Raymond James is under review for an upgrade at Moody's.

The technology sector also aided performance. Global growth and the anticipation of greater capital investment lifted the sector for much of the period. Additionally, spread compression across a number of our overweight positions, including Seagate Technology, supported relative results. Seagate has reported stronger more stable results over the past few quarters amid robust storage demand for personal computers and enterprise infrastructure.

Relative sector detractors included electric utilities and media entertainment. Our positioning in both sectors modestly detracted, largely due to our yield curve positioning. Our generally shorter dated exposure did not perform as well as the longer dated positions in the index. Independent energy also weighed on relative performance. Although we reduced our energy exposure, some of our holdings were negatively impacted by the slip in crude oil prices. No individual corporate issuer meaningfully weighed on results.

On an asset class basis, our commercial mortgage-backed securities (CMBS) boosted relative results. Spread carry, in particular, proved beneficial. We allocate to higher quality, shorter duration positions that we believe can offer cash flow stability. Government related debt, which includes government agency debt as well as debt issued by state-owned firms, detracted. This was due to our significant underweight allocation in the asset class. We did not own securities of certain Mexico-domiciled issuers that performed well over the period.

OUTLOOK

With credit spreads at very tight levels, we are finding stronger risk-adjusted opportunities in equities over fixed income. While equity multiples are high, stocks remain more attractive, in our view, and we intend to maintain our overweight allocation to equities as we move into the third quarter. However, we are mindful of catalysts that could spark a correction in stocks and are looking for ways to dampen volatility in the equity sleeve. In this environment, we favor established companies with stable business lines and strong fundamentals, which should be better suited to withstand a bumpy economy and a choppy market. We are finding attractive, reasonably priced opportunities in larger, developed companies with long track records of growing earnings and free cash flow. Mature companies utilizing technology to improve their efficiency and quality of products are especially attractive and should be better positioned to ward off the ever-increasing risk of technological disruption.

Within the fixed income sleeve, we expect U.S. growth and inflation to remain subdued for the remainder of the year. In our view, the lack of inflation is concerning, and the odds of the reflation trade returning are now greatly reduced. We anticipate longer dated Treasury yields will be generally range-bound as investors express concern around the U.S. economic outlook and amid a robust global demand for yield. Yields on the front end of the curve should continue to climb as the Fed looks to tighten. We believe the Fed's eagerness to elevate interest rates off historical lows presents the possibility of policy error, particularly amid flagging inflation data and uninspiring growth. We are actively managing yield curve positioning with a focus on capital preservation.

Corporate credit spreads are approaching the tightest levels of the cycle and we see limited potential for further spread tightening. We are mindful that a disappointing second quarter earnings season could result in the delay of business investment until 2018. That could potentially cause risk markets to pull back and corporate credit spreads to widen. However, if second quarter earnings are at or above consensus, further support for moderate spread tightening and a continued sideways grind in the credit markets are likely. While we seek to participate in spread tightening, our primary goal is capital preservation.

We are looking for opportunities to increase the credit ratings profile of our corporate holdings, and our analysts are focused on identifying high-quality business models in traditionally defensive, noncyclical sectors. We believe security avoidance is a critical skill, particularly as late-cycle merger and acquisition risk grows. We remain thoughtful around position sizing with the intent of maintaining a well-diversified portfolio. This approach to the fixed income sleeve reflects our commitment to deliver capital preservation and strong risk-adjusted returns for our clients.

Thank you for your investment in Janus Henderson VIT Balanced Portfolio.

Janus Henderson VIT Balanced Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Top Performers - Holdings

	Contribution
Boeing Co	1.19%
CSX Corp	0.98%
Adobe Systems Inc	0.92%
Mastercard Inc	0.74%
Priceline Group Inc	0.62%

5 Bottom Performers - Holdings

	Contribution
Synchrony Financial	-0.49%
Kroger Co	-0.43%
Mattel Inc	-0.17%
Intel Corp	-0.14%
Bristol-Myers Squibb Co	-0.13%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Industrials	1.77%	13.54%	10.18%
Energy	1.55%	0.50%	6.61%
Telecommunication Services	0.54%	0.00%	2.36%
Consumer Discretionary	0.53%	19.25%	12.27%
Real Estate	0.10%	4.72%	2.89%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Financials	-0.43%	12.84%	14.39%
Consumer Staples	-0.42%	11.98%	9.32%
Materials	-0.35%	3.50%	2.84%
Information Technology	-0.26%	21.18%	22.05%
Health Care	-0.12%	11.51%	13.92%

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 Henderson VIT Balanced Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Largest Equity Holdings - (% of Net Assets)

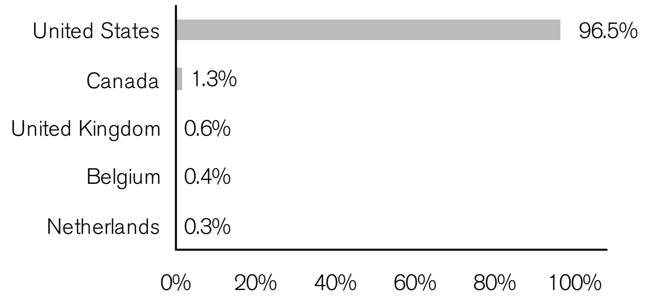
Microsoft Corp	
Software	3.3%
Boeing Co	
Aerospace & Defense	3.0%
Mastercard Inc	
Information Technology Services	2.7%
Altria Group Inc	
Tobacco	2.4%
Alphabet Inc - Class C	
Internet Software & Services	2.2%
	13.6%

Asset Allocation - (% of Net Assets)

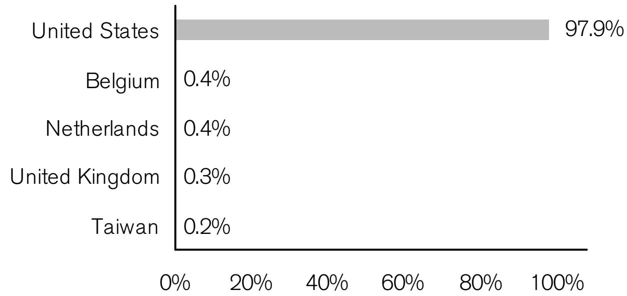
Common Stocks	62.6%
Corporate Bonds	17.0%
Mortgage-Backed Securities	8.1%
United States Treasury Notes/Bonds	7.1%
Asset-Backed/Commercial Mortgage-Backed Securities	2.8%
Bank Loans and Mezzanine Loans	1.7%
Investment Companies	1.2%
Preferred Stocks	0.1%
Other	(0.6)%
	100.0%

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

As of June 30, 2017

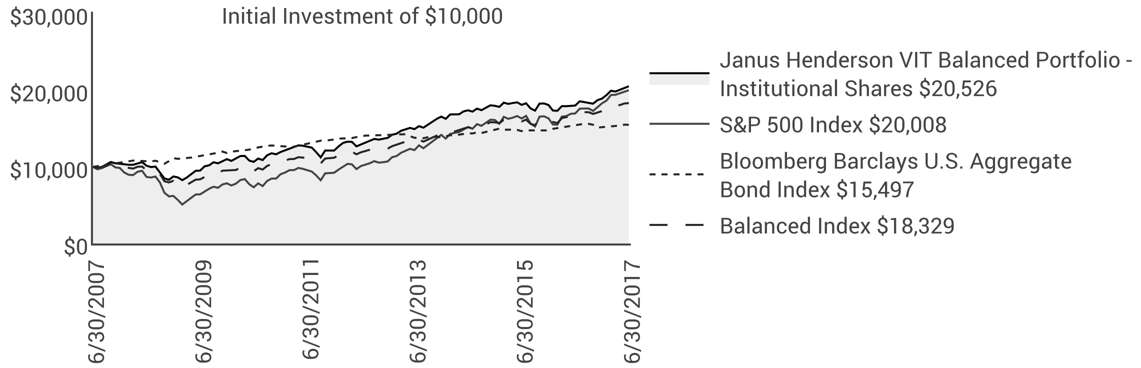


As of December 31, 2016



Janus Henderson VIT Balanced Portfolio **(unaudited)**

Performance



Average Annual Total Return - for the periods ended June 30, 2017 | **Expense Ratios - per the May 1, 2017 prospectuses**

	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	8.49%	13.97%	9.70%	7.46%	9.76%	0.64%
Service Shares	8.35%	13.68%	9.42%	7.19%	9.58%	0.89%
S&P 500 Index	9.34%	17.90%	14.63%	7.18%	9.34%	
Bloomberg Barclays U.S. Aggregate Bond Index	2.27%	-0.31%	2.21%	4.48%	5.28%	
Balanced Index	6.12%	9.41%	9.01%	6.25%	7.76%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Allocation - 50% to 70% Equity Funds	-	67/850	105/770	17/579	10/223	

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 877.335.2687 or visit janushenderson.com/VITperformance

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Returns shown do not represent actual returns since they do not include insurance charges. 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 Henderson VIT Balanced Portfolio (unaudited)
Performance

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

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

See "Useful Information About Your Portfolio Report."

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

Janus Henderson VIT 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 (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Beginning Account Value (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Net Annualized Expense Ratio (1/1/17 - 6/30/17)
Institutional Shares	$1,000.00	$1,084.90	$3.26	$1,000.00	$1,021.67	$3.16	0.63%
Service Shares	$1,000.00	$1,083.50	$4.55	$1,000.00	$1,020.43	$4.41	0.88%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 181/365 (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 Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – 2.8%		
AmeriCredit Automobile Receivables 2016-1, 3.5900%, 2/8/22	$1,718,000	$1,754,298
AmeriCredit Automobile Receivables Trust 2015-2, 3.0000%, 6/8/21	1,180,000	1,191,451
AmeriCredit Automobile Receivables Trust 2016-2, 3.6500%, 5/9/22	1,165,000	1,189,888
Applebee's Funding LLC / IHOP Funding LLC, 4.2770%, 9/5/44 (144A)	7,019,000	6,908,635
BAMLL Commercial Mortgage Securities Trust 2014-FL1, 5.1589%, 12/15/31 (144A)‡	198,000	193,048
BAMLL Commercial Mortgage Securities Trust 2014-FL1, 6.6589%, 12/15/31 (144A)‡	824,955	783,605
Banc of America Commercial Mortgage Trust 2007-3, 5.8744%, 6/10/49‡	515,250	517,882
CKE Restaurant Holdings Inc, 4.4740%, 3/20/43 (144A)	3,100,803	3,094,615
Coinstar Funding LLC Series 2017-1, 5.2160%, 4/25/47 (144A)	2,225,000	2,260,499
Commercial Mortgage Trust 2007-GG11, 5.8670%, 12/10/49‡	779,573	781,674
Cosmopolitan Hotel Trust 2016-COSMO, 3.2590%, 11/15/33 (144A)‡	532,000	535,997
Cosmopolitan Hotel Trust 2016-COSMO, 4.6590%, 11/15/33 (144A)‡	694,000	702,651
Cosmopolitan Hotel Trust 2016-COSMO, 5.8090%, 11/15/33 (144A)‡	1,598,000	1,623,503
Domino's Pizza Master Issuer LLC, 5.2160%, 1/25/42 (144A)	1,216,558	1,217,142
Domino's Pizza Master Issuer LLC, 3.4840%, 10/25/45 (144A)	3,092,850	3,123,562
Domino's Pizza Master Issuer LLC, 3.0820%, 7/25/47 (144A)	452,000	449,811
Domino's Pizza Master Issuer LLC, 4.1180%, 7/25/47 (144A)	2,320,000	2,318,550
Fannie Mae Connecticut Avenue Securities, 6.1161%, 11/25/24‡	4,867,052	5,562,081
Fannie Mae Connecticut Avenue Securities, 5.2161%, 5/25/25‡	586,814	633,795
Freddie Mac Structured Agency Credit Risk Debt Notes, 5.7161%, 2/25/24‡	3,414,000	3,986,203
Freddie Mac Structured Agency Credit Risk Debt Notes, 4.8161%, 4/25/24‡	1,452,000	1,613,855
FREMF 2010 K-SCT Mortgage Trust, 2.0000%, 1/25/20 (144A)§	1,075,670	1,006,445
GS Mortgage Securities Corp II, 3.5495%, 12/10/27 (144A)‡	1,867,000	1,857,898
GS Mortgage Securities Corp Trust 2013-NYC5, 3.7706%, 1/10/30 (144A)‡	765,000	770,634
GS Mortgage Securities Trust 2014-GSFL, 7.1089%, 7/15/31 (144A)‡	992,000	992,544
GSCCRE Commercial Mortgage Trust 2015-HULA, 5.5271%, 8/15/32 (144A)‡	1,558,000	1,565,776
J.P. Morgan Chase Commercial Mortgage Securities Trust 2016-WIKI, 3.5537%, 10/5/31 (144A)	336,000	343,084
J.P. Morgan Chase Commercial Mortgage Securities Trust 2016-WIKI, 4.1426%, 10/5/31 (144A)‡	513,000	521,501
Jimmy Johns Funding LLC, 4.8460%, 7/30/47 (144A)	1,751,000	1,751,000
JP Morgan Chase Commercial Mortgage Securities Trust 2010-C2, 5.7239%, 11/15/43 (144A)‡	933,000	955,597
JP Morgan Chase Commercial Mortgage Securities Trust 2015-SGP, 3.9089%, 7/15/36 (144A)‡	514,000	517,203
JP Morgan Chase Commercial Mortgage Securities Trust 2015-SGP, 5.6589%, 7/15/36 (144A)‡	1,634,000	1,650,297
JP Morgan Chase Commercial Mortgage Securities Trust 2015-UES, 3.7417%, 9/5/32 (144A)‡	1,084,000	1,076,707
LB-UBS Commercial Mortgage Trust 2006-C1, 5.2760%, 2/15/41‡	791,142	791,477
LB-UBS Commercial Mortgage Trust 2007-C7, 6.4996%, 9/15/45‡	932,101	942,974
LB-UBS Commercial Mortgage Trust 2008-C1, 6.2962%, 4/15/41‡	1,162,000	1,151,618
OSCAR US Funding Trust V, 2.7300%, 12/15/20 (144A)	570,000	570,399
OSCAR US Funding Trust V, 2.9900%, 12/15/23 (144A)	490,000	488,142
Palisades Center Trust 2016-PLSD, 4.7370%, 4/13/33 (144A)	413,000	416,263
Santander Drive Auto Receivables Trust 2013-4, 4.6700%, 1/15/20 (144A)	2,189,000	2,204,583
Santander Drive Auto Receivables Trust 2013-A, 4.7100%, 1/15/21 (144A)	1,166,000	1,180,247
Santander Drive Auto Receivables Trust 2015-1, 3.2400%, 4/15/21	1,237,000	1,254,047
Santander Drive Auto Receivables Trust 2015-4, 3.5300%, 8/16/21	2,120,000	2,162,293
Starwood Retail Property Trust 2014-STAR, 3.6271%, 11/15/27 (144A)‡	654,000	647,303
Starwood Retail Property Trust 2014-STAR, 4.3771%, 11/15/27 (144A)‡	1,997,000	1,922,098
Starwood Retail Property Trust 2014-STAR, 5.2771%, 11/15/27 (144A)‡	1,059,000	1,012,159
Taco Bell Funding LLC, 3.8320%, 5/25/46 (144A)	2,274,810	2,325,561
Wachovia Bank Commercial Mortgage Trust Series 2007-C30, 5.4130%, 12/15/43‡	983,194	995,779
Wachovia Bank Commercial Mortgage Trust Series 2007-C31, 5.6600%, 4/15/47‡	2,424,262	2,475,463
Wachovia Bank Commercial Mortgage Trust Series 2007-C33, 6.1739%, 2/15/51‡	1,049,818	1,068,548
Wachovia Bank Commercial Mortgage Trust Series 2007-C34, 6.2709%, 5/15/46‡	721,799	722,317

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – (continued)		
Wells Fargo Commercial Mortgage Trust 2014-TISH, 3.9089%, 1/15/27 (144A)‡	$618,000	$609,310
Wells Fargo Commercial Mortgage Trust 2014-TISH, 3.4089%, 2/15/27 (144A)‡	1,192,000	1,222,565
Wells Fargo Commercial Mortgage Trust 2014-TISH, 4.4089%, 2/15/27 (144A)‡	309,000	314,743
Wendys Funding LLC 2015-1, 3.3710%, 6/15/45 (144A)	3,724,658	3,756,615
Total Asset-Backed/Commercial Mortgage-Backed Securities (cost $81,582,386)		81,685,935
Bank Loans and Mezzanine Loans – 1.7%		
Basic Industry – 0.2%		
Axalta Coating Systems US Holdings Inc, 0%, 6/1/24(a),‡	5,335,000	5,347,804
Capital Goods – 0.2%		
Avolon TLB Borrower 1 US LLC, 3.9622%, 3/21/22‡	1,515,000	1,523,863
Reynolds Group Holdings Inc, 4.2261%, 2/5/23(a),‡	3,846,975	3,849,783
		5,373,646
Communications – 0.6%		
Charter Communications Operating LLC, 3.2300%, 7/1/20‡	914,098	916,502
Charter Communications Operating LLC, 3.2300%, 1/3/21‡	1,370,159	1,373,585
Level 3 Financing Inc, 3.4656%, 2/22/24‡	7,125,000	7,138,395
Mission Broadcasting Inc, 4.2459%, 1/17/24‡	225,680	226,043
Nexstar Broadcasting Inc, 4.2383%, 1/17/24‡	2,284,115	2,287,792
Nielsen Finance LLC, 3.0960%, 10/4/23‡	2,215,560	2,217,067
Zayo Group LLC, 3.2156%, 1/19/21‡	206,483	206,774
Zayo Group LLC, 3.7156%, 1/19/24‡	1,881,066	1,881,856
		16,248,014
Consumer Cyclical – 0.5%		
Aramark Services Inc, 3.2261%, 3/28/24‡	2,658,338	2,671,629
Hilton Worldwide Finance LLC, 3.2161%, 10/25/23‡	5,425,787	5,439,948
KFC Holding Co, 3.2094%, 6/16/23‡	5,048,628	5,062,511
Landry's Inc, 3.9094%, 10/4/23‡	2,447,218	2,438,041
		15,612,129
Consumer Non-Cyclical – 0.1%		
HCA Inc, 3.4761%, 2/15/24‡	2,783,032	2,795,640
Post Holdings Inc, 0%, 5/24/24(a),‡	604,000	604,429
Quintiles IMS Inc, 3.2322%, 3/7/24‡	932,423	936,796
		4,336,865
Technology – 0.1%		
CommScope Inc, 3.2964%, 12/29/22‡	2,976,763	2,985,455
Total Bank Loans and Mezzanine Loans (cost $49,973,011)		49,903,913
Corporate Bonds – 17.0%		
Asset-Backed Securities – 0.1%		
American Tower Trust #1, 1.5510%, 3/15/18 (144A)	2,658,000	2,652,633
Banking – 2.8%		
Ally Financial Inc, 3.2500%, 11/5/18	1,341,000	1,357,360
Ally Financial Inc, 8.0000%, 12/31/18	779,000	840,346
Bank of America Corp, 2.5030%, 10/21/22	5,875,000	5,799,183
Bank of America Corp, 4.1830%, 11/25/27	2,838,000	2,886,782
Bank of America Corp, 4.2440%, 4/24/38‡	4,052,000	4,218,493
Citigroup Inc, 2.6318%, 9/1/23‡	2,880,000	2,933,482
Citigroup Inc, 3.8870%, 1/10/28‡	5,025,000	5,107,264
Citizens Bank NA/Providence RI, 2.6500%, 5/26/22	1,188,000	1,184,666
Citizens Financial Group Inc, 3.7500%, 7/1/24	824,000	819,791
Citizens Financial Group Inc, 4.3500%, 8/1/25	566,000	587,223
Citizens Financial Group Inc, 4.3000%, 12/3/25	3,163,000	3,298,066
Discover Financial Services, 3.9500%, 11/6/24	1,511,000	1,534,525
Discover Financial Services, 3.7500%, 3/4/25	2,060,000	2,035,605
First Republic Bank/CA, 4.6250%, 2/13/47	1,069,000	1,099,672
Goldman Sachs Capital I, 6.3450%, 2/15/34	3,379,000	4,168,615
Goldman Sachs Group Inc, 3.0000%, 4/26/22	3,669,000	3,702,924
Goldman Sachs Group Inc, 3.7500%, 2/25/26	1,976,000	2,012,258
Goldman Sachs Group Inc, 3.6910%, 6/5/28‡	2,986,000	2,998,183
JPMorgan Chase & Co, 2.2950%, 8/15/21	3,805,000	3,782,493

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

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Banking – (continued)		
JPMorgan Chase & Co, 3.3750%, 5/1/23	$3,925,000	$3,982,399
JPMorgan Chase & Co, 3.8750%, 9/10/24	910,000	938,964
JPMorgan Chase & Co, 3.7820%, 2/1/28‡	4,015,000	4,106,241
Morgan Stanley, 2.6250%, 11/17/21	2,861,000	2,856,488
Morgan Stanley, 3.9500%, 4/23/27	2,091,000	2,104,368
Santander UK PLC, 5.0000%, 11/7/23 (144A)	3,538,000	3,792,800
SVB Financial Group, 5.3750%, 9/15/20	2,550,000	2,775,094
Synchrony Financial, 3.0000%, 8/15/19	1,129,000	1,144,964
Synchrony Financial, 4.5000%, 7/23/25	2,398,000	2,466,197
UBS AG, 4.7500%, 5/22/23‡	1,681,000	1,714,146
US Bancorp, 2.3750%, 7/22/26	3,139,000	2,958,592
Wells Fargo & Co, 3.0000%, 4/22/26	935,000	913,264
Wells Fargo & Co, 5.8750%µ	1,700,000	1,873,349
		81,993,797
Basic Industry – 0.8%		
Anglo American Capital PLC, 3.7500%, 4/10/22 (144A)	803,000	807,015
Anglo American Capital PLC, 4.7500%, 4/10/27 (144A)	2,618,000	2,689,471
CF Industries Inc, 6.8750%, 5/1/18	345,000	358,369
CF Industries Inc, 4.5000%, 12/1/26 (144A)	2,871,000	2,952,133
FMG Resources August 2006 Pty Ltd, 4.7500%, 5/15/22 (144A)	1,660,000	1,666,225
FMG Resources August 2006 Pty Ltd, 5.1250%, 5/15/24 (144A)	552,000	552,000
Freeport-McMoRan Inc, 3.1000%, 3/15/20	817,000	799,639
Georgia-Pacific LLC, 3.1630%, 11/15/21 (144A)	4,228,000	4,317,249
Georgia-Pacific LLC, 3.6000%, 3/1/25 (144A)	2,148,000	2,214,850
Reliance Steel & Aluminum Co, 4.5000%, 4/15/23	2,141,000	2,261,301
Sherwin-Williams Co, 2.7500%, 6/1/22	842,000	841,400
Sherwin-Williams Co, 3.1250%, 6/1/24	539,000	541,590
Sherwin-Williams Co, 3.4500%, 6/1/27	1,519,000	1,529,821
Sherwin-Williams Co, 4.5000%, 6/1/47	708,000	742,946
Steel Dynamics Inc, 5.0000%, 12/15/26	246,000	252,458
Teck Resources Ltd, 8.5000%, 6/1/24 (144A)	2,016,000	2,328,480
		24,854,947
Brokerage – 1.0%		
Carlyle Holdings Finance LLC, 3.8750%, 2/1/23 (144A)	1,101,000	1,130,431
CBOE Holdings Inc, 3.6500%, 1/12/27	2,133,000	2,151,576
Charles Schwab Corp, 3.0000%, 3/10/25	858,000	858,159
Charles Schwab Corp, 4.6250%µ	446,000	455,478
Charles Schwab Corp, 7.0000%µ	2,369,000	2,730,272
E*TRADE Financial Corp, 5.3750%, 11/15/22	2,837,000	2,982,237
E*TRADE Financial Corp, 4.6250%, 9/15/23	3,792,000	3,943,680
E*TRADE Financial Corp, 5.8750%µ	435,000	461,100
Lazard Group LLC, 4.2500%, 11/14/20	2,840,000	2,995,978
Neuberger Berman Group LLC / Neuberger Berman Finance Corp, 4.8750%, 4/15/45 (144A)	2,520,000	2,449,254
Raymond James Financial Inc, 5.6250%, 4/1/24	1,426,000	1,622,730
Raymond James Financial Inc, 3.6250%, 9/15/26	910,000	910,922
Raymond James Financial Inc, 4.9500%, 7/15/46	2,536,000	2,755,965
Scottrade Financial Services Inc, 6.1250%, 7/11/21 (144A)	913,000	1,036,670
TD Ameritrade Holding Corp, 2.9500%, 4/1/22	1,423,000	1,455,992
TD Ameritrade Holding Corp, 3.6250%, 4/1/25	1,617,000	1,673,307
		29,613,751
Capital Goods – 0.7%		
Arconic Inc, 5.1250%, 10/1/24	258,000	267,675
Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc, 4.2500%, 9/15/22 (144A)	401,000	411,627
Ball Corp, 4.3750%, 12/15/20	1,445,000	1,517,250
CNH Industrial Capital LLC, 3.6250%, 4/15/18	1,563,000	1,576,754
CRH America Finance Inc, 3.4000%, 5/9/27 (144A)	554,000	554,093
Eagle Materials Inc, 4.5000%, 8/1/26	203,000	207,568

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Capital Goods – (continued)		
General Electric Co, 5.0000%µ	$2,699,000	$2,864,719
Martin Marietta Materials Inc, 4.2500%, 7/2/24	1,413,000	1,482,975
Masco Corp, 3.5000%, 4/1/21	1,393,000	1,431,349
Masco Corp, 4.3750%, 4/1/26	233,000	248,541
Owens Corning, 4.2000%, 12/1/24	1,302,000	1,363,421
Owens Corning, 3.4000%, 8/15/26	626,000	616,739
Rockwell Collins Inc, 3.2000%, 3/15/24	1,252,000	1,268,773
Rockwell Collins Inc, 3.5000%, 3/15/27	2,141,000	2,171,282
Vulcan Materials Co, 7.0000%, 6/15/18	1,597,000	1,672,236
Vulcan Materials Co, 7.5000%, 6/15/21	952,000	1,123,418
Vulcan Materials Co, 4.5000%, 4/1/25	2,727,000	2,912,390
		21,690,810
Communications – 1.5%		
American Tower Corp, 3.3000%, 2/15/21	2,227,000	2,284,989
American Tower Corp, 3.4500%, 9/15/21	230,000	237,162
American Tower Corp, 3.5000%, 1/31/23	409,000	419,410
American Tower Corp, 4.4000%, 2/15/26	1,459,000	1,529,560
American Tower Corp, 3.3750%, 10/15/26	2,695,000	2,637,041
AT&T Inc, 3.4000%, 5/15/25	438,000	430,632
AT&T Inc, 4.2500%, 3/1/27	2,068,000	2,138,074
AT&T Inc, 5.2500%, 3/1/37	2,812,000	2,999,080
CCO Holdings LLC / CCO Holdings Capital Corp, 5.2500%, 3/15/21	2,079,000	2,136,172
CCO Holdings LLC / CCO Holdings Capital Corp, 5.1250%, 5/1/27 (144A)	5,079,000	5,193,277
Charter Communications Operating LLC / Charter Communications Operating Capital, 4.9080%, 7/23/25	3,342,000	3,610,737
Comcast Corp, 2.3500%, 1/15/27	1,770,000	1,661,472
Comcast Corp, 3.3000%, 2/1/27	1,265,000	1,280,677
Comcast Corp, 3.4000%, 7/15/46	307,000	279,993
Cox Communications Inc, 3.3500%, 9/15/26 (144A)	2,804,000	2,753,663
Crown Castle International Corp, 5.2500%, 1/15/23	1,817,000	2,018,149
NBCUniversal Media LLC, 4.4500%, 1/15/43	557,000	592,157
Time Warner Inc, 3.6000%, 7/15/25	1,781,000	1,788,053
UBM PLC, 5.7500%, 11/3/20 (144A)	2,784,000	2,930,547
Verizon Communications Inc, 2.9460%, 3/15/22 (144A)	889,000	895,079
Verizon Communications Inc, 2.6250%, 8/15/26	5,138,000	4,737,873
Verizon Communications Inc, 4.1250%, 8/15/46	1,128,000	1,005,342
		43,559,139
Consumer Cyclical – 1.4%		
1011778 BC ULC / New Red Finance Inc, 4.6250%, 1/15/22 (144A)	2,967,000	3,041,175
1011778 BC ULC / New Red Finance Inc, 4.2500%, 5/15/24 (144A)	2,762,000	2,744,572
Coach Inc, 3.0000%, 7/15/22	910,000	897,124
Coach Inc, 4.1250%, 7/15/27	910,000	900,847
CVS Health Corp, 2.8000%, 7/20/20	4,431,000	4,510,842
CVS Health Corp, 4.7500%, 12/1/22	1,106,000	1,212,138
CVS Health Corp, 5.0000%, 12/1/24	1,479,000	1,638,417
DR Horton Inc, 3.7500%, 3/1/19	1,949,000	1,993,839
DR Horton Inc, 4.0000%, 2/15/20	374,000	388,353
Ford Motor Co, 4.3460%, 12/8/26	2,831,000	2,915,539
General Motors Co, 4.8750%, 10/2/23	2,113,000	2,264,141
General Motors Financial Co Inc, 3.9500%, 4/13/24	5,739,000	5,819,059
IHO Verwaltungs GmbH, 4.1250%, 9/15/21 (144A)	541,000	551,144
IHO Verwaltungs GmbH, 4.5000%, 9/15/23 (144A)	395,000	400,925
IHS Markit Ltd, 5.0000%, 11/1/22 (144A)	1,381,000	1,490,610
IHS Markit Ltd, 4.7500%, 2/15/25 (144A)	1,124,000	1,206,895
MDC Holdings Inc, 5.5000%, 1/15/24	2,138,000	2,260,935
MGM Growth Properties Operating Partnership LP / MGP Finance Co-Issuer Inc, 5.6250%, 5/1/24	1,246,000	1,358,140
Toll Brothers Finance Corp, 4.0000%, 12/31/18	773,000	792,325

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

Janus Henderson VIT Balanced Portfolio
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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Consumer Cyclical – (continued)		
Toll Brothers Finance Corp, 5.8750%, 2/15/22	$705,000	$780,787
Toll Brothers Finance Corp, 4.3750%, 4/15/23	404,000	417,938
Walgreens Boots Alliance Inc, 3.4500%, 6/1/26	1,833,000	1,829,310
Walgreens Boots Alliance Inc, 4.6500%, 6/1/46	315,000	330,172
Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp, 5.2500%, 5/15/27 (144A)	1,126,000	1,153,446
ZF North America Capital Inc, 4.5000%, 4/29/22 (144A)	588,000	617,400
		41,516,073
Consumer Non-Cyclical – 3.0%		
Abbott Laboratories, 3.8750%, 9/15/25	438,000	450,536
Abbott Laboratories, 3.7500%, 11/30/26	707,000	721,788
Allergan Funding SCS, 3.0000%, 3/12/20	3,686,000	3,766,322
Anheuser-Busch InBev Finance Inc, 2.6500%, 2/1/21	767,000	777,219
Anheuser-Busch InBev Finance Inc, 3.3000%, 2/1/23	3,515,000	3,619,055
Anheuser-Busch InBev Finance Inc, 3.6500%, 2/1/26	6,405,000	6,599,507
Becton Dickinson and Co, 2.8940%, 6/6/22	1,400,000	1,401,743
Becton Dickinson and Co, 3.3630%, 6/6/24	3,114,000	3,120,029
Becton Dickinson and Co, 3.7000%, 6/6/27	2,209,000	2,212,464
Becton Dickinson and Co, 4.6690%, 6/6/47	729,000	750,891
Cardinal Health Inc, 2.6160%, 6/15/22	1,429,000	1,430,157
Cardinal Health Inc, 3.0790%, 6/15/24	924,000	925,988
Cardinal Health Inc, 3.4100%, 6/15/27	1,835,000	1,827,165
Constellation Brands Inc, 4.2500%, 5/1/23	2,663,000	2,834,646
Constellation Brands Inc, 4.7500%, 12/1/25	308,000	337,396
Constellation Brands Inc, 3.7000%, 12/6/26	2,061,000	2,099,798
Danone SA, 2.0770%, 11/2/21 (144A)	2,895,000	2,855,726
Danone SA, 2.5890%, 11/2/23 (144A)	1,745,000	1,702,309
Express Scripts Holding Co, 3.5000%, 6/15/24	1,075,000	1,084,112
Express Scripts Holding Co, 4.5000%, 2/25/26	1,995,000	2,114,514
Express Scripts Holding Co, 3.4000%, 3/1/27	1,230,000	1,187,232
HCA Inc, 3.7500%, 3/15/19	1,424,000	1,452,480
HCA Inc, 5.8750%, 5/1/23	714,000	777,367
HCA Inc, 5.0000%, 3/15/24	565,000	598,194
HCA Inc, 5.3750%, 2/1/25	1,229,000	1,296,349
HCA Inc, 5.8750%, 2/15/26	1,518,000	1,639,440
Life Technologies Corp, 6.0000%, 3/1/20	1,716,000	1,870,049
Molson Coors Brewing Co, 3.0000%, 7/15/26	3,599,000	3,462,040
Molson Coors Brewing Co, 4.2000%, 7/15/46	863,000	846,954
Newell Brands Inc, 3.1500%, 4/1/21	760,000	777,989
Newell Brands Inc, 3.8500%, 4/1/23	720,000	755,860
Newell Brands Inc, 5.0000%, 11/15/23	1,442,000	1,542,999
Newell Brands Inc, 4.2000%, 4/1/26	3,394,000	3,604,048
Reckitt Benckiser Treasury Services PLC, 2.3750%, 6/24/22 (144A)	1,833,000	1,820,818
Reckitt Benckiser Treasury Services PLC, 2.7500%, 6/26/24 (144A)	1,745,000	1,728,157
Reckitt Benckiser Treasury Services PLC, 3.0000%, 6/26/27 (144A)	2,639,000	2,601,188
Shire Acquisitions Investments Ireland DAC, 2.4000%, 9/23/21	1,696,000	1,676,055
Shire Acquisitions Investments Ireland DAC, 2.8750%, 9/23/23	2,288,000	2,267,481
Shire Acquisitions Investments Ireland DAC, 3.2000%, 9/23/26	2,301,000	2,250,279
Sysco Corp, 2.5000%, 7/15/21	581,000	582,530
Sysco Corp, 3.3000%, 7/15/26	1,459,000	1,447,570
Sysco Corp, 3.2500%, 7/15/27	1,035,000	1,018,255
Tenet Healthcare Corp, 4.6250%, 7/15/24 (144A)	799,000	799,999
Teva Pharmaceutical Finance Netherlands III BV, 3.1500%, 10/1/26	3,089,000	2,933,864
THC Escrow Corp III, 4.6250%, 7/15/24 (144A)	1,001,000	1,003,703
Universal Health Services Inc, 4.7500%, 8/1/22 (144A)	1,988,000	2,055,095
Wm Wrigley Jr Co, 2.4000%, 10/21/18 (144A)	3,916,000	3,942,531
Wm Wrigley Jr Co, 3.3750%, 10/21/20 (144A)	1,336,000	1,378,935
		87,948,826
Electric – 0.6%		
Dominion Energy Inc, 2.0000%, 8/15/21	322,000	315,783

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Corporate Bonds – (continued)		
Electric – (continued)		
Dominion Energy Inc, 2.8500%, 8/15/26	$445,000	$424,232
Duke Energy Corp, 1.8000%, 9/1/21	862,000	841,379
Duke Energy Corp, 2.6500%, 9/1/26	1,347,000	1,279,428
IPALCO Enterprises Inc, 5.0000%, 5/1/18	1,239,000	1,259,134
PPL Capital Funding Inc, 3.1000%, 5/15/26	2,999,000	2,935,385
PPL WEM Ltd / Western Power Distribution Ltd, 5.3750%, 5/1/21 (144A)	2,285,000	2,465,456
Southern Co, 2.3500%, 7/1/21	2,617,000	2,597,684
Southern Co, 2.9500%, 7/1/23	1,873,000	1,860,737
Southern Co, 3.2500%, 7/1/26	2,631,000	2,574,068
		16,553,286
Energy – 1.7%		
Antero Resources Corp, 5.3750%, 11/1/21	2,851,000	2,879,510
Canadian Natural Resources Ltd, 5.9000%, 2/1/18	918,000	939,095
Canadian Natural Resources Ltd, 2.9500%, 1/15/23	939,000	931,399
Cenovus Energy Inc, 5.7000%, 10/15/19	58,000	61,213
Columbia Pipeline Group Inc, 4.5000%, 6/1/25	1,048,000	1,115,680
ConocoPhillips Co, 4.9500%, 3/15/26	2,210,000	2,461,547
Diamond Offshore Drilling Inc, 5.8750%, 5/1/19	436,000	447,990
Enbridge Energy Partners LP, 5.8750%, 10/15/25	1,354,000	1,544,747
Energy Transfer Equity LP, 5.8750%, 1/15/24	1,481,000	1,569,860
Energy Transfer Equity LP, 5.5000%, 6/1/27	2,649,000	2,741,715
Energy Transfer LP, 4.1500%, 10/1/20	1,303,000	1,353,197
Energy Transfer LP, 4.7500%, 1/15/26	596,000	620,087
Helmerich & Payne International Drilling Co, 4.6500%, 3/15/25	2,140,000	2,244,269
Hiland Partners Holdings LLC / Hiland Partners Finance Corp, 5.5000%, 5/15/22 (144A)	1,253,000	1,308,710
Kinder Morgan Energy Partners LP, 5.0000%, 10/1/21	1,194,000	1,282,253
Kinder Morgan Energy Partners LP, 3.9500%, 9/1/22	1,277,000	1,319,239
Kinder Morgan Inc/DE, 6.5000%, 9/15/20	124,000	137,702
Motiva Enterprises LLC, 5.7500%, 1/15/20 (144A)	1,765,000	1,888,765
NuStar Logistics LP, 5.6250%, 4/28/27	1,778,000	1,866,900
Oceaneering International Inc, 4.6500%, 11/15/24	2,636,000	2,599,834
Phillips 66 Partners LP, 3.6050%, 2/15/25	1,429,000	1,415,199
Regency Energy Partners LP / Regency Energy Finance Corp, 5.8750%, 3/1/22	1,650,000	1,817,434
Sabine Pass Liquefaction LLC, 5.0000%, 3/15/27	2,556,000	2,721,056
SM Energy Co, 6.5000%, 1/1/23	164,000	156,210
TC PipeLines LP, 3.9000%, 5/25/27	1,945,000	1,940,941
Tesoro Logistics LP / Tesoro Logistics Finance Corp, 5.2500%, 1/15/25	748,000	785,400
Western Gas Partners LP, 5.3750%, 6/1/21	3,315,000	3,558,454
Williams Cos Inc, 3.7000%, 1/15/23	786,000	774,210
Williams Partners LP, 3.7500%, 6/15/27	3,272,000	3,239,057
Williams Partners LP / ACMP Finance Corp, 4.8750%, 5/15/23	2,127,000	2,207,018
Williams Partners LP / ACMP Finance Corp, 4.8750%, 3/15/24	1,153,000	1,208,252
		49,136,943
Finance Companies – 0.1%		
Park Aerospace Holdings Ltd, 5.2500%, 8/15/22 (144A)	866,000	905,247
Park Aerospace Holdings Ltd, 5.5000%, 2/15/24 (144A)	2,359,000	2,463,975
		3,369,222
Financial Institutions – 0.4%		
Jones Lang LaSalle Inc, 4.4000%, 11/15/22	2,820,000	2,969,037
Kennedy-Wilson Inc, 5.8750%, 4/1/24	4,796,000	4,945,875
LeasePlan Corp NV, 2.5000%, 5/16/18 (144A)	4,744,000	4,756,738
		12,671,650
Industrial – 0%		
Cintas Corp No 2, 4.3000%, 6/1/21	1,200,000	1,278,553
Insurance – 0.4%		
Aetna Inc, 2.8000%, 6/15/23	1,167,000	1,164,815
Berkshire Hathaway Inc, 3.1250%, 3/15/26	433,000	437,914
Centene Corp, 4.7500%, 5/15/22	169,000	176,394

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Corporate Bonds – (continued)		
Insurance – (continued)		
Centene Corp, 6.1250%, 2/15/24	$416,000	$449,771
Centene Corp, 4.7500%, 1/15/25	498,000	511,695
Cigna Corp, 3.2500%, 4/15/25	5,743,000	5,765,903
WellCare Health Plans Inc, 5.2500%, 4/1/25	2,015,000	2,110,712
		10,617,204
Real Estate Investment Trusts (REITs) – 0.6%		
Alexandria Real Estate Equities Inc, 2.7500%, 1/15/20	1,226,000	1,234,339
Alexandria Real Estate Equities Inc, 4.6000%, 4/1/22	3,505,000	3,745,135
Alexandria Real Estate Equities Inc, 4.5000%, 7/30/29	1,899,000	2,013,200
Post Apartment Homes LP, 4.7500%, 10/15/17	1,623,000	1,624,436
Senior Housing Properties Trust, 6.7500%, 4/15/20	794,000	861,002
Senior Housing Properties Trust, 6.7500%, 12/15/21	882,000	983,640
SL Green Realty Corp, 5.0000%, 8/15/18	1,894,000	1,943,918
SL Green Realty Corp, 7.7500%, 3/15/20	3,720,000	4,164,931
		16,570,601
Technology – 1.8%		
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.6250%, 1/15/24 (144A)	1,949,000	1,993,340
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.8750%, 1/15/27 (144A)	5,003,000	5,138,111
Cadence Design Systems Inc, 4.3750%, 10/15/24	4,429,000	4,600,889
Fidelity National Information Services Inc, 3.6250%, 10/15/20	1,324,000	1,386,833
Fidelity National Information Services Inc, 4.5000%, 10/15/22	1,723,000	1,871,950
Fidelity National Information Services Inc, 3.0000%, 8/15/26	2,218,000	2,147,949
First Data Corp, 7.0000%, 12/1/23 (144A)	2,157,000	2,302,597
NXP BV / NXP Funding LLC, 4.1250%, 6/15/20 (144A)	833,000	874,917
NXP BV / NXP Funding LLC, 4.1250%, 6/1/21 (144A)	634,000	667,602
NXP BV / NXP Funding LLC, 3.8750%, 9/1/22 (144A)	2,412,000	2,511,495
NXP BV / NXP Funding LLC, 4.6250%, 6/1/23 (144A)	1,385,000	1,494,069
Seagate HDD Cayman, 4.7500%, 1/1/25	2,214,000	2,224,762
Seagate HDD Cayman, 4.8750%, 6/1/27	377,000	376,533
Seagate HDD Cayman, 5.7500%, 12/1/34	683,000	684,639
Total System Services Inc, 3.8000%, 4/1/21	1,416,000	1,474,452
Total System Services Inc, 4.8000%, 4/1/26	3,952,000	4,302,333
Trimble Inc, 4.7500%, 12/1/24	4,898,000	5,230,569
TSMC Global Ltd, 1.6250%, 4/3/18 (144A)	6,427,000	6,414,133
Verisk Analytics Inc, 4.8750%, 1/15/19	1,615,000	1,681,746
Verisk Analytics Inc, 5.8000%, 5/1/21	2,731,000	3,036,214
Verisk Analytics Inc, 4.1250%, 9/12/22	1,574,000	1,658,533
Verisk Analytics Inc, 5.5000%, 6/15/45	1,854,000	2,062,479
		54,136,145
Transportation – 0.1%		
FedEx Corp, 3.9000%, 2/1/35	244,000	242,459
FedEx Corp, 4.4000%, 1/15/47	106,000	109,185
Penske Truck Leasing Co Lp / PTL Finance Corp, 3.3750%, 3/15/18 (144A)	2,541,000	2,569,706
Penske Truck Leasing Co Lp / PTL Finance Corp, 2.5000%, 6/15/19 (144A)	1,724,000	1,732,834
		4,654,184
Total Corporate Bonds (cost $493,742,208)		502,817,764
Mortgage-Backed Securities – 8.1%		
Fannie Mae Pool:		
4.0000%, 9/1/29	859,195	911,082
4.0000%, 4/1/34	1,000,583	1,061,522
6.0000%, 10/1/35	686,669	782,982
6.0000%, 12/1/35	774,748	885,017
6.0000%, 2/1/37	137,503	159,064
6.0000%, 9/1/37	303,128	318,218
6.0000%, 10/1/38	520,382	591,638
7.0000%, 2/1/39	203,100	235,645
5.5000%, 12/1/39	1,117,569	1,245,120
5.5000%, 3/1/40	932,805	1,053,511

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Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
5.5000%, 4/1/40	$2,243,787	$2,494,212
5.0000%, 10/1/40	425,158	472,709
5.5000%, 2/1/41	522,981	590,664
5.0000%, 5/1/41	1,126,102	1,231,876
5.5000%, 5/1/41	739,509	823,293
5.5000%, 6/1/41	1,276,682	1,420,828
5.5000%, 6/1/41	1,073,258	1,208,099
5.5000%, 7/1/41	122,895	136,477
4.5000%, 8/1/41	803,652	867,799
5.5000%, 12/1/41	1,066,940	1,190,392
5.5000%, 2/1/42	4,343,697	4,833,252
4.0000%, 6/1/42	1,658,216	1,758,080
4.5000%, 6/1/42	318,508	344,961
4.0000%, 7/1/42	303,470	321,665
4.0000%, 8/1/42	33,023	35,000
4.0000%, 9/1/42	64,403	68,274
4.0000%, 9/1/42	40,430	42,848
4.0000%, 11/1/42	1,148,226	1,216,662
4.5000%, 11/1/42	530,764	576,077
3.5000%, 1/1/43	1,927,033	1,988,210
3.5000%, 2/1/43	3,862,313	3,985,291
3.5000%, 2/1/43	905,613	934,482
4.5000%, 3/1/43	1,608,936	1,753,745
4.0000%, 5/1/43	108,949	115,439
4.0000%, 8/1/43	2,957,554	3,135,350
4.0000%, 9/1/43	732,411	776,566
3.5000%, 1/1/44	3,504,463	3,634,247
3.5000%, 1/1/44	1,550,121	1,607,530
4.0000%, 2/1/44	1,969,961	2,088,551
3.5000%, 4/1/44	1,760,679	1,820,018
4.5000%, 5/1/44	180,191	197,471
5.5000%, 5/1/44	972,574	1,082,360
4.0000%, 6/1/44	2,429,975	2,575,875
4.0000%, 7/1/44	734,638	784,402
5.0000%, 7/1/44	118,180	132,022
4.0000%, 8/1/44	2,870,354	3,064,926
4.0000%, 8/1/44	1,088,682	1,162,525
4.5000%, 8/1/44	2,945,557	3,228,103
4.5000%, 10/1/44	12,858,003	14,090,680
4.5000%, 10/1/44	2,240,014	2,454,445
4.5000%, 10/1/44	1,263,364	1,380,662
3.5000%, 2/1/45	3,633,481	3,749,574
4.5000%, 3/1/45	2,170,372	2,372,094
4.0000%, 5/1/45	1,758,070	1,877,730
4.5000%, 5/1/45	1,881,178	2,061,153
4.5000%, 5/1/45	1,199,346	1,314,066
4.5000%, 6/1/45	1,165,037	1,269,085
4.5000%, 9/1/45	724,865	792,306
4.0000%, 10/1/45	3,658,908	3,885,684
4.5000%, 10/1/45	2,716,268	2,963,294
3.5000%, 12/1/45	1,136,411	1,174,620
4.0000%, 12/1/45	1,571,763	1,678,575
3.5000%, 1/1/46	3,127,646	3,233,237
3.5000%, 1/1/46	2,710,733	2,802,369
4.0000%, 1/1/46	698,845	744,464
4.5000%, 2/1/46	3,358,966	3,680,461
4.5000%, 2/1/46	1,450,126	1,585,204
4.0000%, 4/1/46	2,013,789	2,144,257
4.5000%, 4/1/46	1,881,203	2,070,507

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Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.0000%, 5/1/46	$2,365,065	$2,519,584
4.0000%, 6/1/46	767,999	818,178
3.5000%, 7/1/46	1,989,772	2,054,685
3.5000%, 7/1/46	1,976,607	2,041,115
4.5000%, 7/1/46	2,879,953	3,148,446
4.5000%, 7/1/46	1,812,141	1,985,707
4.5000%, 7/1/46	1,399,119	1,516,818
3.5000%, 8/1/46	1,214,188	1,249,927
4.0000%, 8/1/46	141,538	150,248
4.0000%, 8/1/46	141,408	150,195
4.0000%, 8/1/46	120,617	128,112
4.0000%, 8/1/46	97,112	103,147
4.5000%, 9/1/46	420,602	460,998
4.0000%, 10/1/46	1,377,109	1,461,512
4.0000%, 11/1/46	706,071	753,933
4.5000%, 11/1/46	1,250,849	1,367,862
4.5000%, 11/1/46	567,036	616,939
4.5000%, 12/1/46	1,276,122	1,379,109
4.0000%, 1/1/47	879,513	941,270
4.0000%, 2/1/47	1,876,124	2,000,460
4.5000%, 2/1/47	2,241,363	2,429,925
4.0000%, 3/1/47	189,683	201,516
4.0000%, 3/1/47	108,454	115,116
4.0000%, 3/1/47	50,888	54,069
4.0000%, 3/1/47	49,515	52,589
4.0000%, 4/1/47	1,989,421	2,126,241
4.0000%, 4/1/47	247,282	262,471
4.0000%, 4/1/47	198,251	210,642
4.0000%, 4/1/47	195,742	207,765
4.0000%, 4/1/47	185,491	196,885
4.0000%, 4/1/47	175,266	186,031
4.5000%, 4/1/47	2,254,837	2,465,771
4.0000%, 5/1/47	263,037	279,194
4.0000%, 5/1/47	206,798	219,724
4.0000%, 5/1/47	162,729	172,901
4.0000%, 5/1/47	67,860	72,070
4.5000%, 5/1/47	345,358	376,350
4.5000%, 5/1/47	284,420	309,505
4.5000%, 5/1/47	279,008	303,787
4.5000%, 5/1/47	211,168	230,117
4.5000%, 5/1/47	195,530	212,895
4.5000%, 5/1/47	186,792	203,151
4.5000%, 5/1/47	180,139	195,916
4.5000%, 5/1/47	171,106	186,197
4.5000%, 5/1/47	96,332	104,709
4.5000%, 5/1/47	69,592	75,837
4.5000%, 5/1/47	63,010	68,664
3.5000%, 6/1/47	135,926	140,220
4.0000%, 6/1/47	763,956	810,882
4.0000%, 6/1/47	426,695	452,511
4.0000%, 6/1/47	375,503	398,800
4.0000%, 6/1/47	364,890	387,696
4.0000%, 6/1/47	294,365	313,308
4.0000%, 6/1/47	134,561	143,029
4.5000%, 6/1/47	183,207	197,391
4.5000%, 6/1/47	120,436	131,244
3.5000%, 5/1/56	4,765,075	4,898,093
		162,510,004

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Freddie Mac Gold Pool:		
3.5000%, 7/1/29	$1,067,757	$1,114,197
8.0000%, 4/1/32	279,629	342,677
5.5000%, 10/1/36	445,267	500,881
6.0000%, 4/1/40	2,334,645	2,702,890
5.5000%, 5/1/41	992,347	1,095,012
5.5000%, 8/1/41	2,295,592	2,621,806
5.5000%, 8/1/41	1,462,901	1,651,943
5.5000%, 9/1/41	334,775	369,613
5.0000%, 3/1/42	1,114,615	1,234,303
3.5000%, 2/1/44	1,418,073	1,461,543
4.5000%, 5/1/44	56,108	60,762
5.0000%, 7/1/44	945,481	1,043,265
4.0000%, 8/1/44	896,614	956,063
4.5000%, 9/1/44	4,133,516	4,525,759
4.5000%, 6/1/45	1,916,274	2,098,425
4.5000%, 2/1/46	2,166,134	2,371,935
4.5000%, 2/1/46	1,338,173	1,461,553
4.5000%, 6/1/46	3,033,846	3,279,925
3.5000%, 7/1/46	3,950,632	4,089,484
		32,982,036
Ginnie Mae I Pool:		
5.1000%, 1/15/32	1,037,987	1,181,283
7.5000%, 8/15/33	960,481	1,121,816
4.9000%, 10/15/34	1,131,830	1,285,428
5.5000%, 9/15/35	116,522	133,903
5.5000%, 8/15/39	2,081,352	2,409,528
5.5000%, 8/15/39	697,264	807,817
5.0000%, 10/15/39	452,561	499,441
5.5000%, 10/15/39	807,676	923,819
5.0000%, 11/15/39	702,497	770,276
5.0000%, 1/15/40	234,013	256,044
5.0000%, 5/15/40	251,723	278,965
5.0000%, 5/15/40	102,255	113,643
5.0000%, 7/15/40	778,659	854,247
5.0000%, 7/15/40	212,823	233,313
5.0000%, 2/15/41	794,923	874,074
5.0000%, 4/15/41	327,494	359,207
4.5000%, 5/15/41	1,521,154	1,705,473
5.0000%, 5/15/41	286,118	317,559
4.5000%, 7/15/41	755,155	850,503
4.5000%, 7/15/41	228,710	251,495
4.5000%, 8/15/41	2,126,880	2,334,148
5.0000%, 9/15/41	189,184	210,991
5.0000%, 11/15/43	1,464,158	1,639,663
4.5000%, 5/15/44	972,056	1,065,666
5.0000%, 6/15/44	1,402,737	1,562,013
5.0000%, 6/15/44	484,653	539,382
5.0000%, 7/15/44	564,668	627,638
4.0000%, 1/15/45	4,414,120	4,675,892
4.0000%, 4/15/45	788,214	848,055
4.0000%, 7/15/46	2,883,452	3,081,725
4.5000%, 8/15/46	5,147,167	5,641,099
		37,454,106
Ginnie Mae II Pool:		
7.0000%, 5/20/39	96,386	114,232
4.5000%, 10/20/41	1,333,333	1,418,960
5.5000%, 1/20/42	425,759	466,743
3.5000%, 5/20/42	550,968	573,737
6.0000%, 11/20/42	150,540	171,581

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Ginnie Mae II Pool – (continued)		
3.5000%, 9/20/44	$1,590,492	$1,656,322
5.0000%, 12/20/44	803,883	901,609
5.0000%, 9/20/45	563,656	633,883
4.0000%, 10/20/45	1,971,462	2,105,884
		8,042,951
Total Mortgage-Backed Securities (cost $241,894,995)		240,989,097
United States Treasury Notes/Bonds – 7.1%		
1.2500%, 5/31/19	24,603,000	24,544,371
1.2500%, 6/30/19	11,788,000	11,756,231
1.5000%, 6/15/20	596,000	595,116
1.7500%, 5/31/22	33,180,000	32,981,683
2.0000%, 5/31/24	14,927,000	14,802,807
2.0000%, 11/15/26	12,717,000	12,401,555
2.2500%, 2/15/27	34,811,000	34,655,987
2.3750%, 5/15/27	13,838,000	13,927,186
2.2500%, 8/15/46	27,246,000	24,031,817
2.8750%, 11/15/46	32,813,000	33,050,140
3.0000%, 2/15/47	6,834,000	7,061,975
Total United States Treasury Notes/Bonds (cost $207,427,862)		209,808,868
Common Stocks – 62.6%		
Aerospace & Defense – 5.1%		
Boeing Co	453,398	89,659,454
General Dynamics Corp	143,438	28,415,068
Northrop Grumman Corp	129,136	33,150,503
		151,225,025
Air Freight & Logistics – 0.7%		
United Parcel Service Inc	176,725	19,544,018
Automobiles – 1.1%		
General Motors Co	905,634	31,633,796
Banks – 1.6%		
US Bancorp	927,548	48,158,292
Biotechnology – 2.5%		
AbbVie Inc	281,868	20,438,249
Amgen Inc	317,925	54,756,223
		75,194,472
Capital Markets – 3.7%		
Blackstone Group LP	624,864	20,839,214
CME Group Inc	442,167	55,376,995
Morgan Stanley	65,601	2,923,181
TD Ameritrade Holding Corp	705,556	30,331,852
		109,471,242
Chemicals – 1.5%		
LyondellBasell Industries NV	535,187	45,164,431
Construction Materials – 0.3%		
Vulcan Materials Co	70,867	8,977,432
Consumer Finance – 0.9%		
Synchrony Financial	936,936	27,939,432
Equity Real Estate Investment Trusts (REITs) – 1.9%		
Colony NorthStar Inc	1,201,915	16,934,982
Colony Starwood Homes	185,495	6,364,333
Crown Castle International Corp	139,235	13,948,562
MGM Growth Properties LLC	327,162	9,549,859
Outfront Media Inc	455,936	10,541,240
		57,338,976
Food & Staples Retailing – 2.8%		
Costco Wholesale Corp	281,256	44,981,272
Kroger Co	748,145	17,446,741

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Food & Staples Retailing – (continued)		
Sysco Corp	380,640	$19,157,611
		81,585,624
Food Products – 0.7%		
Hershey Co	190,681	20,473,419
Health Care Equipment & Supplies – 2.4%		
Abbott Laboratories	554,095	26,934,558
Medtronic PLC	486,537	43,180,159
		70,114,717
Health Care Providers & Services – 1.0%		
Aetna Inc	186,592	28,330,263
Hotels, Restaurants & Leisure – 2.3%		
McDonald's Corp	121,633	18,629,310
Norwegian Cruise Line Holdings Ltd*	231,514	12,568,895
Six Flags Entertainment Corp	197,946	11,799,561
Starbucks Corp	426,583	24,874,055
		67,871,821
Household Products – 0.8%		
Kimberly-Clark Corp	174,095	22,477,405
Industrial Conglomerates – 1.7%		
Honeywell International Inc	374,895	49,969,755
Information Technology Services – 4.1%		
Accenture PLC	201,921	24,973,589
Automatic Data Processing Inc	151,955	15,569,309
Mastercard Inc	654,950	79,543,677
		120,086,575
Insurance – 0.2%		
Progressive Corp	137,447	6,060,038
Internet & Direct Marketing Retail – 1.7%		
Priceline Group Inc*	26,485	49,540,722
Internet Software & Services – 2.2%		
Alphabet Inc - Class C*	72,333	65,731,167
Leisure Products – 1.0%		
Hasbro Inc	165,664	18,473,193
Mattel Inc	502,991	10,829,396
		29,302,589
Media – 2.1%		
Comcast Corp	1,275,743	49,651,918
Madison Square Garden Co*	43,839	8,631,899
Time Warner Inc	53,356	5,357,476
		63,641,293
Oil, Gas & Consumable Fuels – 1.0%		
Suncor Energy Inc	516,359	15,077,683
Suncor Energy Inc¤	462,593	13,518,162
		28,595,845
Personal Products – 0.6%		
Estee Lauder Cos Inc	172,890	16,593,982
Pharmaceuticals – 2.6%		
Allergan PLC	162,268	39,445,728
Bristol-Myers Squibb Co	526,699	29,347,668
Eli Lilly & Co	108,742	8,949,467
		77,742,863
Real Estate Investment Trusts (REITs) – 0%		
Colony American Homes III§	639,963	651,898
Real Estate Management & Development – 0.8%		
CBRE Group Inc*	642,101	23,372,476
Road & Rail – 1.5%		
CSX Corp	813,963	44,409,821

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments (Unaudited)
June 30, 2017

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Semiconductor & Semiconductor Equipment – 1.7%		
Intel Corp	910,886	$30,733,294
Lam Research Corp	131,772	18,636,514
		49,369,808
Software – 5.0%		
Adobe Systems Inc*	368,931	52,181,601
Microsoft Corp	1,404,796	96,850,332
		149,031,933
Specialty Retail – 1.4%		
Home Depot Inc	274,945	42,176,563
Technology Hardware, Storage & Peripherals – 1.7%		
Apple Inc	349,404	50,321,164
Textiles, Apparel & Luxury Goods – 1.6%		
NIKE Inc	824,082	48,620,838
Tobacco – 2.4%		
Altria Group Inc	962,739	71,695,173
Total Common Stocks (cost $1,416,164,843)		1,852,414,868
Preferred Stocks – 0.1%		
Banks – 0%		
Citigroup Capital XIII, 7.5418%	15,865	412,173
Capital Markets – 0%		
Morgan Stanley, 6.8750%	20,750	607,767
Consumer Finance – 0.1%		
Discover Financial Services, 6.5000%	102,000	2,629,560
Industrial Conglomerates – 0%		
General Electric Co, 4.7000%	11,000	280,610
Total Preferred Stocks (cost $3,802,826)		3,930,110
Investment Companies – 1.2%		
Money Markets – 1.2%		
Janus Cash Liquidity Fund LLC, 0.9803%[∞,£] (cost $34,215,117)	34,215,117	34,215,117
Total Investments (total cost $2,528,803,248) – 100.6%		2,975,765,672
Liabilities, net of Cash, Receivables and Other Assets – (0.6)%		(16,336,103)
Net Assets – 100%		$2,959,429,569

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

Country	*Value*	*% of Investment Securities*
United States	$2,871,721,162	96.5 %
Canada	38,641,779	1.3
United Kingdom	18,835,452	0.6
Belgium	10,995,781	0.4
Netherlands	10,304,821	0.3
Taiwan	6,414,133	0.2
Ireland	5,858,805	0.2
France	4,558,035	0.2
Israel	2,933,864	0.1
Australia	2,218,225	0.1
Switzerland	1,714,146	0.1
Germany	1,569,469	0.0
Total	$2,975,765,672	100.0 %

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

Janus Henderson VIT Balanced Portfolio
Notes to Schedule of Investments and Other Information (Unaudited)

Balanced Index	Balanced Index is an internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%).
Bloomberg Barclays U.S. Aggregate Bond Index	Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.
Consumer Price Index	Consumer Price Index (CPI) is an unmanaged index representing the rate of inflation of the U.S. consumer prices as determined by the U.S. Department of Labor Statistics.
S&P 500® Index	S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company
ULC	Unlimited Liability Company

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. Unless otherwise noted, 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, 2017 is $164,800,112, which represents 5.6% 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.

‡ 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, 2017.

¤ Issued by the same entity and traded on separate exchanges.

ºº Rate shown is the 7-day yield as of June 30, 2017.

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.

£ 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, 2017. Unless otherwise indicated, all information in the table is for the period ended June 30, 2017.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 6/30/17*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/17*
Janus Cash Liquidity Fund LLC	14,816,076	582,160,843	(562,761,802)	34,215,117	$—	$98,687	$34,215,117

§ Schedule of Restricted and Illiquid Securities (as of June 30, 2017)

	Acquisition Date	*Cost*	*Value*	*Value as a % of Net Assets*
Colony American Homes III	1/30/13	$ 803,249	$ 651,898	0.0%
FREMF 2010 K-SCT Mortgage Trust, 2.0000%, 1/25/20	4/29/13	1,006,824	1,006,445	0.1
Total		$ 1,810,073	$ 1,658,343	0.1%

The Portfolio has registration rights for certain restricted securities held as of June 30, 2017. The issuer incurs all registration costs.

Janus Henderson VIT Balanced 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, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets			
Investments in Securities:			
Asset-Backed/Commercial Mortgage-Backed Securities	$ -	$ 81,685,935	$ -
Bank Loans and Mezzanine Loans	-	49,903,913	-
Corporate Bonds	-	502,817,764	-
Mortgage-Backed Securities	-	240,989,097	-
United States Treasury Notes/Bonds	-	209,808,868	-
Common Stocks			
Real Estate Investment Trusts (REITs)	-	-	651,898
All Other	1,851,762,970	-	-
Preferred Stocks	-	3,930,110	-
Investment Companies	-	34,215,117	-
Total Assets	$ 1,851,762,970	$ 1,123,350,804	$ 651,898

Janus Henderson VIT Balanced Portfolio
Statement of Assets and Liabilities (Unaudited)
June 30, 2017

Assets:		
Investments, at cost	$	2,528,803,248
Unaffiliated investments, at value		2,941,550,555
Affiliated investments, at value		34,215,117
Cash		9,256,934
Non-interested Trustees' deferred compensation		52,614
Receivables:		
Investments sold		9,320,027
Interest		7,228,651
Dividends		1,952,751
Portfolio shares sold		1,754,675
Dividends from affiliates		33,794
Other assets		7,753
Total Assets		3,005,372,871
Liabilities:		
Payables:		
Investments purchased		42,859,251
Advisory fees		1,408,433
Portfolio shares repurchased		826,214
12b-1 Distribution and shareholder servicing fees		548,705
Transfer agent fees and expenses		136,078
Non-interested Trustees' deferred compensation fees		52,614
Professional fees		26,873
Portfolio administration fees		24,327
Non-interested Trustees' fees and expenses		15,409
Custodian fees		216
Accrued expenses and other payables		45,182
Total Liabilities		45,943,302
Net Assets	$	2,959,429,569
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	2,474,856,760
Undistributed net investment income/(loss)		10,254,703
Undistributed net realized gain/(loss) from investments and foreign currency transactions		27,351,564
Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation		446,966,542
Total Net Assets	$	2,959,429,569
Net Assets - Institutional Shares	$	414,845,185
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		12,769,328
Net Asset Value Per Share	$	32.49
Net Assets - Service Shares	$	2,544,584,384
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		74,450,281
Net Asset Value Per Share	$	34.18

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio
Statement of Operations (Unaudited)
For the period ended June 30, 2017

Investment Income:		
Dividends	$	20,782,233
Interest		15,407,394
Dividends from affiliates		98,687
Other income		139,826
Foreign tax withheld		(18,637)
Total Investment Income		36,409,503
Expenses:		
Advisory fees		7,542,217
12b-1Distribution and shareholder servicing fees:		
Service Shares		2,916,715
Transfer agent administrative fees and expenses:		
Institutional Shares		102,313
Service Shares		583,343
Other transfer agent fees and expenses:		
Institutional Shares		7,160
Service Shares		23,827
Portfolio administration fees		125,065
Shareholder reports expense		47,786
Professional fees		33,233
Non-interested Trustees' fees and expenses		28,129
Custodian fees		20,735
Registration fees		15,573
Other expenses		145,822
Total Expenses		11,591,918
Net Investment Income/(Loss)		24,817,585
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		34,643,335
Total Net Realized Gain/(Loss) on Investments		34,643,335
Change in Unrealized Net Appreciation/Depreciation:		
Investments and non-interested Trustees' deferred compensation		159,894,193
Total Change in Unrealized Net Appreciation/Depreciation		159,894,193
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	219,355,113

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio
Statements of Changes in Net Assets

	Period ended June 30, 2017 (unaudited)	Year ended December 31, 2016
Operations:		
Net investment income/(loss)	$ 24,817,585	$ 41,128,282
Net realized gain/(loss) on investments	34,643,335	3,486,187
Change in unrealized net appreciation/depreciation	159,894,193	58,375,166
Net Increase/(Decrease) in Net Assets Resulting from Operations	219,355,113	102,989,635
Dividends and Distributions to Shareholders:		
Dividends from Net Investment Income		
Institutional Shares	(4,293,070)	(9,062,439)
Service Shares	(22,644,206)	(39,619,594)
Total Dividends from Net Investment Income	(26,937,276)	(48,682,033)
Distributions from Net Realized Gain from Investment Transactions		
Institutional Shares	(844,615)	(6,034,450)
Service Shares	(4,921,407)	(26,828,177)
Total Distributions from Net Realized Gain from Investment Transactions	(5,766,022)	(32,862,627)
Net Decrease from Dividends and Distributions to Shareholders	(32,703,298)	(81,544,660)
Capital Share Transactions:		
Institutional Shares	(17,403,226)	(42,473,989)
Service Shares	158,469,961	376,338,116
Net Increase/(Decrease) from Capital Share Transactions	141,066,735	333,864,127
Net Increase/(Decrease) in Net Assets	327,718,550	355,309,102
Net Assets:		
Beginning of period	2,631,711,019	2,276,401,917
End of period	$ 2,959,429,569	$ 2,631,711,019
Undistributed Net Investment Income/(Loss)	$ 10,254,703	$ 12,374,394

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$30.32	$30.08	$31.43	$30.26	$27.17	$26.62
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.32(1)	0.58(1)	0.63(1)	0.62(1)	0.56	1.14
Net realized and unrealized gain/(loss)	2.26	0.77	(0.41)	1.92	4.67	2.30
Total from Investment Operations	2.58	1.35	0.22	2.54	5.23	3.44
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.34)	(0.67)	(0.50)	(0.55)	(0.45)	(0.80)
Distributions (from capital gains)	(0.07)	(0.44)	(1.07)	(0.82)	(1.69)	(2.09)
Total Dividends and Distributions	(0.41)	(1.11)	(1.57)	(1.37)	(2.14)	(2.89)
Net Asset Value, End of Period	$32.49	$30.32	$30.08	$31.43	$30.26	$27.17
Total Return*	8.49%	4.60%	0.62%	8.54%	20.11%	13.66%
Net Assets, End of Period (in thousands)	$414,845	$403,833	$444,472	$475,807	$475,100	$435,689
Average Net Assets for the Period (in thousands)	$412,548	$413,338	$467,346	$472,445	$455,356	$509,335
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.63%	0.62%	0.58%	0.58%	0.58%	0.60%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.63%	0.62%	0.58%	0.58%	0.58%	0.60%
Ratio of Net Investment Income/(Loss)	2.02%	1.94%	2.03%	2.01%	1.87%	2.23%
Portfolio Turnover Rate	31%	80%	73%	87%	76%	77%

Service Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$31.89	$31.61	$32.97	$31.72	$28.42	$27.74
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.30(1)	0.53(1)	0.58(1)	0.57(1)	0.58	0.57
Net realized and unrealized gain/(loss)	2.37	0.80	(0.42)	2.00	4.82	2.94
Total from Investment Operations	2.67	1.33	0.16	2.57	5.40	3.51
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.31)	(0.61)	(0.45)	(0.50)	(0.41)	(0.74)
Distributions (from capital gains)	(0.07)	(0.44)	(1.07)	(0.82)	(1.69)	(2.09)
Total Dividends and Distributions	(0.38)	(1.05)	(1.52)	(1.32)	(2.10)	(2.83)
Net Asset Value, End of Period	$34.18	$31.89	$31.61	$32.97	$31.72	$28.42
Total Return*	8.35%	4.32%	0.41%	8.24%	19.80%	13.37%
Net Assets, End of Period (in thousands)	$2,544,584	$2,227,878	$1,831,930	$1,228,244	$863,259	$494,722
Average Net Assets for the Period (in thousands)	$2,349,372	$1,938,234	$1,645,283	$1,013,680	$596,154	$533,254
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.88%	0.87%	0.84%	0.84%	0.84%	0.85%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.88%	0.87%	0.84%	0.84%	0.84%	0.85%
Ratio of Net Investment Income/(Loss)	1.78%	1.71%	1.79%	1.77%	1.62%	2.00%
Portfolio Turnover Rate	31%	80%	73%	87%	76%	77%

* 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 Henderson VIT Balanced Portfolio (formerly named Janus Aspen Balanced Portfolio) (the "Portfolio") is a series 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, each of which offers multiple share classes, 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, 2017 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, 2017.

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.

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 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") of 2010 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”). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, 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.

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, 2017.

- **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 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.

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 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 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 some or all of the 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 $1,138 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2017. 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 Henderson 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, 2017 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, 2017 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 $206,075 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2017.

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, 2017 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, 2017, the Portfolio engaged in cross trades amounting to $58,092,946 in purchases and $14,159,376 in sales, resulting in a net realized loss of $11,141. The net realized loss is included within the "Net Realized 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, 2017 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)*
$ 2,535,602,457	$457,980,685	$(17,817,470)	$ 440,163,215

5. Capital Share Transactions

	Period ended June 30, 2017		*Year ended December 31, 2016*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	263,273	$ 8,382,667	1,189,959	$ 34,459,931
Reinvested dividends and distributions	157,308	5,137,685	513,363	15,096,889
Shares repurchased	(971,153)	(30,923,578)	(3,158,269)	(92,030,809)
Net Increase/(Decrease)	(550,572)	$ (17,403,226)	(1,454,947)	$ (42,473,989)
Service Shares:				
Shares sold	7,118,472	$242,380,129	15,605,883	$491,558,526
Reinvested dividends and distributions	802,259	27,565,613	2,145,917	66,447,771
Shares repurchased	(3,339,707)	(111,475,781)	(5,844,123)	(181,668,181)
Net Increase/(Decrease)	4,581,024	$158,469,961	11,907,677	$376,338,116

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2017, 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*
$673,787,713	$ 553,746,972	$ 422,307,328	$ 296,823,680

7. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X is August 1, 2017. Management believes that many of the Regulation S-X amendments are consistent with the Portfolio's current financial statement presentation and will not have a significant impact on the Portfolio.

The FASB issued Accounting Standards Update No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08") to amend the amortization period for certain purchased callable debt securities held at a premium. The guidance requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impacts of ASU 2017-08 on the financial statements.

8. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. ("JCGI"), the direct parent of Janus Capital, and Henderson Group plc ("Henderson") announced that they had entered into an Agreement and Plan of Merger ("Merger Agreement") relating to the strategic combination of Henderson and JCGI (the "Merger"). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson will merge with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson.

The consummation of the Merger may be deemed to be an "assignment" (as defined in the 1940 Act) of the advisory agreement between the Portfolio and Janus Capital that is in effect as of the date of this Report. As a result, the consummation of the Merger will cause the investment advisory agreement to terminate automatically in accordance with its terms.

On December 8, 2016, the Trustees approved, subject to approval of shareholders, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger ("Post-Merger Advisory Agreement"). The Post-Merger Advisory Agreement will have substantially similar terms as the corresponding investment advisory agreement that is in effect as of the date of this Report.

Approval of Advisory Agreements

On April 18, 2017, shareholders of the Portfolio approved the Post-Merger Advisory Agreement with Janus Capital. The Post- Merger Advisory Agreement took effect upon the consummation of the Merger.

9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2017 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 1-877-335-2687 (toll free); (ii) on the Portfolio's website at janushenderson.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 janushenderson.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 Henderson at 1-877-335-2687 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

What follows is a discussion of the material factors and conclusions with respect thereto that formed the basis for the Trustees of Janus Aspen Series' approval of the investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, during the period. This discussion references a Transaction (as defined below) to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., which resulted in the Trustees' consideration of new investment advisory agreements for the Funds and sub-advisory agreements for the Funds, as applicable. During the period, the Trustees also approved the renewal of the existing investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, which were subsequently replaced by the new investment advisory and sub-advisory agreements at the close of the Transaction on May 30, 2017.

Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

On September 15, 2016, Janus Capital Group Inc. ("Janus") advised the Trustees of Janus Aspen Series (the "Trust"), each of whom serves as an "independent" Trustee (the "Board" or the "Trustees"), of its intent to seek a strategic combination of its advisory business with Henderson Group plc ("Henderson"). The Board met with the Chief Executive Officer of Janus, who outlined the proposed combination and the potential benefits to Janus Capital Management LLC ("Janus Capital") and each Fund of the Trust (each, a "Fund" and collectively, the "Funds").

Subsequent to the September 15, 2016 meeting, the Trustees identified a list of basic principles, which they believed should serve as the foundation for their review of the organizational, operational and strategic issues involved with any potential change in control of Janus Capital, the investment adviser to the Funds. These basic principles were communicated to Janus Capital on September 27, 2016, and were intended to be shared with Henderson. On October 3, 2016, Janus announced that it had entered into a definitive Agreement and Plan of Merger with Henderson pursuant to which Janus and Henderson agreed to effect an all-stock merger of equals strategic combination of their respective businesses, with Janus Capital surviving the merger as a direct wholly-owned subsidiary of Henderson (the "Transaction"). The Board was advised that, subject to certain conditions, the Transaction is currently expected to close during the second quarter of 2017.

As part of its due diligence, the Board developed an initial list of questions related to the proposed transaction, which was provided to Janus Capital on October 6, 2016. At a special Board meeting held on October 19, 2016, the Board considered Janus Capital's response to the initial information request and met with the management of Janus to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, addressing, among other matters, the personnel expected to provide such services, and the resources available to do so. After its October 19, 2016 meeting, the Board developed a supplemental request for additional information, which was provided to Janus Capital on October 26, 2016. At another special Board meeting held on November 7-8, 2016, the Board considered Janus Capital's response to the supplemental information request and again met with the management of Janus and Henderson to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, and also met with various officers of the Funds and of Janus Capital including various Fund portfolio managers. After its November 7-8, 2016 meeting, the Board developed a second supplemental request for additional information, which was provided to Janus Capital on November 21, 2016. On December 7-8, 2016, the Board met to consider Janus

Capital's response to the second supplemental information request and to also consider the proposed new investment advisory agreements between the Trust, on behalf of each Fund, and Janus Capital (each, a "New Advisory Agreement" and collectively, the "New Advisory Agreements") and the new sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH Investment Management LLC ("INTECH") or Perkins Investment Management LLC ("Perkins") as sub-advisers (each, a "New Sub-Advisory Agreement" and collectively, the "New Sub-Advisory Agreements") to take effect immediately after the Transaction or shareholder approval, whichever is later. During each of these meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. Throughout the process, the Board had the assistance of its independent legal counsel, who advised them on, among other things, its duties and obligations.

In connection with the Board's review, Janus Capital provided, and the Board obtained, substantial information regarding the following matters: the management, financial position and business of Henderson; the history of Henderson's business and operations; the investment performance of the investment companies advised by Henderson; the proposed structure, operations and investment processes of the combined investment management organization after the Transaction and the strategy for operating and growing the business following the Transaction; the future plans of Janus and Henderson with respect to the Funds and any proposed changes to the operations or structure of the Funds; and the future plans of Janus and Henderson with respect to the provision of services to the Funds, and the entities providing such services, including those affiliated with Janus. The Board also received information regarding the terms of the Transaction, anticipated management of the combined organization, the resources that each of Janus and Henderson bring to the combined organization and the process being followed by Janus and Henderson to integrate their organizations. The Board also received information regarding the impact of the Transaction on each of INTECH and Perkins.

In connection with the Board's approval of New Advisory Agreements and New Sub-Advisory Agreements at its December 8, 2016 meeting, the Board also continued its on-going annual process to determine whether to continue the existing investment advisory agreements between Janus Capital and the Trust on behalf of each Fund (each, a "Current Advisory Agreement" and collectively, the "Current Advisory Agreements") and the existing sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH or Perkins as sub-advisers (each, a "Current Sub-Advisory Agreement" and collectively, the "Current Sub-Advisory Agreements"). In this regard, the Board received and reviewed information provided by Janus and the respective Sub-Advisers in response to requests of the Board and its independent legal counsel. The Board also received and reviewed information and analysis provided by, and in response to requests of, its independent fee consultant. The Board noted that as part of this annual process, the Board had considered and was in the process of considering, numerous factors, including the nature and quality of services provided by Janus Capital and each Sub-Adviser, as applicable; investment performance, on an absolute basis and relative to appropriate peer groups and one or a combination of market indices; investment management fees, expense ratios and asset sizes of the Funds and peer groups; investment management fees charged to comparable investment companies, separate accounts and non-fund clients; Janus Capital's profitability from managing the Funds; fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital; and the potential benefits to Janus Capital, the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In determining whether to approve the New Advisory Agreement for each Fund and the New Sub-Advisory Agreement for Funds managed by INTECH or Perkins in connection with the Transaction, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- The terms of the New Advisory Agreements are substantially similar to the corresponding Current Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.
- The terms of the New Sub-Advisory Agreements are substantially similar to the corresponding Current Sub-Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Sub-Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.

- Janus Capital's plans for the operation of the Funds, including its plans for the continued provision of all services currently provided to the Funds by Janus Capital and its affiliates, including, among others, investment advisory services, portfolio trading services, and Fund administrative and accounting services, and the personnel and resources proposed to support the provision of such services.
- The estimated profitability to Janus Capital from managing the Funds after the Transaction, including potential economies of scale and fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital, and the potential benefits to Janus Capital, and the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In connection with its deliberations, the Board received assurances from Janus, on behalf of itself and its affiliates (collectively, "Janus") including the following:

- Janus has provided to the Board such information as it believes is reasonably necessary to evaluate the New Advisory Agreements and New Sub-Advisory Agreements.
- Janus is committed to the continuance, without interruption, of services to the Funds of at least the type and quality currently provided by Janus Capital and its affiliates, or superior thereto.
- The Transaction is not expected to affect negatively the nature, extent or quality of the investment advisory services provided by Janus Capital to the Funds following the Transaction, and the investment advisory services are expected to be at least comparable to the services being provided under the Current Advisory Agreements and Current Sub-Advisory Agreements. In this regard, the Board noted specific representations that Janus does not intend for the nature, extent or quality of investment advisory and other services to be provided to the Funds following the Transaction to change, and the extent of such services were expected to increase based on the combined resources of the combined investment management organization after the Transaction, and should the nature, extent or quality of such services decline, Janus would commit the resources needed to return such services to pre-Transaction levels.
- The Funds' current operations were expected to remain largely unchanged, except for certain fund reorganizations which will be separately considered by the Board, and such other changes as were or will be presented to the Board.
- The Transaction is not expected to result in any changes to the portfolio managers providing services to the Funds.
- After the Transaction, the distribution and marketing services provided to the Janus Funds were expected to be improved or enhanced based on the combined resources of Janus and Henderson. In this regard, Janus Capital advised the Board that after the Transaction, the extent of distribution and marketing services provided to the Janus Funds are expected to increase based on the combined resources of Janus and Henderson. This is due primarily to the anticipated increase of sales related resources and expanded global presence of the combined Janus Henderson organization, which is expected to enhance visibility and brand recognition of the Janus Henderson Funds.
- The intent of Janus Capital to take the necessary and appropriate steps to retain and attract key investment advisory personnel.
- The intent of Janus to take the necessary and appropriate steps to retain and attract key compliance, financial, fund accounting and administrative personnel supporting the management and oversight of the Funds.
- Janus is not aware of any express or implied term, condition, arrangement or understanding that would impose in its best judgement an "unfair burden" on any Fund as a result of the Transaction, as defined in Section 15(f) of the 1940 Act, and that Janus will take no action that would have the effect of imposing such an "unfair burden" on any Fund in connection with the Transaction.

Janus assured the Board that it intended to comply with Section 15(f) of the Investment Company Act of 1940, as amended. Section 15(f) provides a non-exclusive safe harbor for an investment adviser to an investment company or any of its affiliated persons to receive any amount or benefit in connection with a change in control of the investment adviser so long as two conditions are met. First, for a period of three years after the transaction, at least 75% of the

board members of the investment company must not be interested persons of such investment adviser (as defined under the 1940 Act). The composition of the Board is in compliance with this provision of Section 15(f). In addition, after careful review and consideration, the Board determined that it would be in the best interests of the Funds to add to the Board an individual who currently acts as a non-interested board member of the Henderson Trust. The Board believes that this change in the Board composition will provide perspective and insight relating to experience working with the Henderson organization. The Board's Nominating and Governance Committee considered a number of candidates and recommended that the Board nominate one proposed new trustee from those candidates who currently act as non-interested board members of the Henderson Trust. The Board approved that trustee nominee to serve on the Board, subject to election by the shareholders of the Funds and contingent on the closing of the Transaction. If the new trustee is elected and serves on the Board, the Board composition would continue to satisfy the provisions of Section 15(f).

To meet the second condition of Section 15(f), an "unfair burden" must not be imposed upon the investment company as a result of such transaction or any express or implied terms, conditions or understandings applicable thereto. The term "unfair burden" is defined in Section 15(f) to include any arrangement during the two-year period after the transaction, whereby the investment adviser, or any interested person of such adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its shareholders (other than fees for bona fide investment advisory or other services) or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than bona fide ordinary compensation as principal underwriter for such investment company).

Janus represented that it does not believe that an "unfair burden" will be placed on the Funds as a result of the Transaction. In furtherance thereof, Janus has undertaken to pay the costs of preparing and distributing proxy materials to, and of holding the meetings of, the Funds' shareholders (the "Meetings"), as well as other fees and expenses in connection with the Transaction, including the reasonable fees and expenses of legal counsel and consultants to the Funds and the Trustees. In addition, Janus has agreed, for a period of two years following the closing of the Transaction, (i) not to request any increases to advisory fees for the Funds, other than those proposed to and approved by the Board prior to the close of the Transaction, and (ii) to continue to use the current process by which expense caps are set annually for the Funds.

As a result of its review and consideration of the New Investment Advisory Agreements and New Sub-Advisory Agreements in connection with the Transaction, at a meeting on December 8, 2016, the Board voted unanimously to approve a New Investment Advisory Agreement for each Fund and a New Sub-Advisory Agreement for each Fund managed by INTECH or Perkins, and to recommend such agreements to the Funds' shareholders for their approval.

Approval of Interim Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

In the event shareholders of a Fund do not approve such Fund's New Advisory Agreement and/or New Sub- Advisory Agreement at the Meetings prior to the closing of the Transaction, Janus Capital proposed that an interim investment advisory agreement between Janus Capital and such Fund (each, an "Interim Advisory Agreement" and collectively, the "Interim Advisory Agreements") and an interim sub-advisory agreement between Janus Capital and the applicable Sub-Adviser (each, an "Interim Sub-Advisory Agreement" and collectively, the "Interim Sub- Advisory Agreements") take effect upon the closing of the Transaction. At the December 8, 2016 meeting, the Board, all of whom are Independent Trustees, unanimously approved an Interim Advisory Agreement for each Fund and an Interim Sub-Advisory Agreement for each applicable Fund in order to assure continuity of investment advisory services to the Funds and sub-advisory services to the sub-advised Funds after the Transaction. The terms of each Interim Advisory Agreement are substantially identical to those of the applicable Current Advisory Agreement and New Advisory Agreement, except for the term and escrow provisions described below. Similarly, the terms of each Interim Sub-Advisory Agreement are substantially identical to those of the Current Sub-Advisory Agreements and New Sub-Advisory Agreements, except for the term and escrow provisions described below. The Interim Advisory Agreement and Interim Sub-Advisory Agreement will continue in effect for a term ending on the earlier of 150 days from the closing of the Transaction (the "150-day period") or when shareholders of the Fund approve the New Advisory Agreement and/or New Sub-Advisory Agreement. Pursuant to Rule 15a-4 under the 1940 Act, compensation earned by Janus Capital under an Interim Advisory Agreement and compensation earned by a Sub-Adviser under an Interim Sub-Advisory Agreement will be held in an interest-bearing escrow account. If shareholders of a Fund approve the New Advisory Agreement prior to the end of the 150-day period, the amount held in the escrow account under the Interim Advisory Agreement will be paid to Janus Capital. If shareholders of a Fund approve the New Advisory Agreement and New Sub-Advisory Agreement prior to the

end of the 150-day period, the amount held in the escrow account under the Interim Sub-Advisory Agreement will be paid to the Sub- Adviser. If shareholders of a Fund do not approve the New Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and Janus Capital will be paid the lesser of its costs incurred in performing its services under the Interim Advisory Agreement or the total amount in the escrow account, plus interest earned. If shareholders of a Fund do not approve the New Advisory Agreement and/or New Sub-Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and the Sub-Adviser will be paid the lesser of its costs incurred in performing its services under the Interim Sub-Advisory Agreement or the total amount in the escrow account, plus interest earned.

Approval of an Amended and Restated Investment Advisory Agreement for Janus Henderson Research Portfolio (formerly, Janus Portfolio)

Janus Capital met with the Trustees on December 7-8, 2016, to discuss the approval of an amended and restated investment advisory agreement (the "Amended Advisory Agreement") between Janus Capital and the Trust on behalf of Janus Portfolio (for the purposes of this section, the "Fund" refers to Janus Portfolio) and other matters related to the proposed changes to the Fund's name, principal investment strategies, and portfolio management team (the "Realignment"). At the meeting, the Trustees also discussed the Amended Advisory Agreement and other matters related to the Realignment with their independent counsel in executive session. During the course of this meeting, the Trustees requested and considered such information as they deemed relevant to their deliberations. In addition, at prior meetings and during the course of this meeting the Board also considered the proposal to merge the Janus Fund, a series of Janus Investment Fund, into the Janus Research Fund, another series of Janus Investment Fund, and undertook a comprehensive process to evaluate the impact of the Transaction on the nature, quality and extent of services expected to be provided by Janus Capital to the Fund, including after the completion of the Transaction. For a fuller discussion of the Board's consideration of the approval of a new investment advisory agreement for the Fund in connection with the Transaction, see "Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period" above.

At a meeting of the Board of Trustees held on December 8, 2016, the Trustees approved the Amended Advisory Agreement and other matters related to the Realignment. In determining whether to approve the Amended Advisory Agreement, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- the terms of the Amended Advisory Agreement are substantially the same as the Current Advisory Agreement, except for the change to the advisory fee rate based on the amount of such outperformance or underperformance (the "Full Performance Rate") and cumulative investment record of the Fund's benchmark index (the "Performance Fee Benchmark");
- the estimated impact of the change to the Full Performance Rate and Performance Fee Benchmark on the amount of advisory fees to be paid by the Fund, including consideration of comparative pro forma data showing the advisory fees payable if the Amended Advisory Agreement had been in place in prior years;
- the Fund's investment team will be able to more efficiently manage the Fund's portfolio, assuming the merger of the Janus Fund into Janus Research Fund is implemented, which may also provide benefits from opportunities to aggregate trading across funds that have similar investment strategies;
- Janus Capital's belief that the Fund shareholders may benefit from the Realignment, as a result of the research- driven investment process to be implemented, which includes lower historical transaction costs and potential performance gains from securities lending as compared to the Fund's current investment approach;
- the Realignment was being proposed as part of Janus Capital's efforts to streamline its product line;
- Janus Capital's belief that the Fund would benefit from Janus Capital's operational efficiencies resulting from the merger of the Janus Fund into the Janus Research Fund and the Realignment, including a potentially more efficient and effective investment management approach providing the potential for a growing fund and improved performance after the Realignment;
- the costs of seeking approval of the Amended Advisory Agreement will be borne by Janus Capital;

- the costs incurred to reposition the Fund's portfolio in connection with the Realignment;
- the potential tax consequences of any repositioning of the Fund's portfolio as a result of the Merger; and any potential benefits of Janus Capital and its affiliates as a result of the Realignment.

Renewal of Advisory and Sub-Advisory Agreements with Janus Capital and Janus Capital Affiliates 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.

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the proposed transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which Janus Capital advised the Trustees was expected to close in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements both prior to the close of the Transaction, and afterwards, if the Transaction were not to close. If the Transaction closes, all such agreements would be replaced by new investment advisory agreements and subadvisory agreements, as applicable, for each Fund, assuming requisite Fund shareholder approvals have been obtained.

At a meeting held on January 26, 2017, 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 February 1, 2017 through February 1, 2018, 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, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, 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, 2016.
- For Janus Henderson Real Return Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Short-Term Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Mid Cap Value Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Value Plus Income Fund (formerly, 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, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Income Managed Volatility Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson Asia Equity Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Life Sciences Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Overseas Fund (formerly, Janus Henderson Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Balanced Portfolio (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Flexible Bond Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Mid Cap Value Portfolio (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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.

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 average 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 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average 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 average total expenses for its Broadridge Expense Group peers and to average 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) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; and (4) in the majority of cases, the Funds receive proportionally better pricing than the industry in relation to Janus institutional and subadvised accounts.

The Trustees considered the fees for each Fund for its fiscal year ended in 2015, 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, 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 Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average 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 Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's total expenses exceeded the peer group average for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group average 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 Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's total expenses were below the peer group average 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 Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Value Plus Income Fund (formerly, Perkins Value Plus Income Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Income Managed Volatility Fund (formerly, INTECH Global Income Managed Volatility Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio (formerly, Janus Aspen Balanced Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Flexible Bond Portfolio (formerly, Janus Aspen Flexible Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for its sole share class.
- For Janus Henderson Research Portfolio (formerly, 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 Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average 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 their independent fee consultant's analysis of economies of scale in 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 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% 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 past 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.

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, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson 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 Henderson VIT Balanced Portfolio
Shareholder Meeting (unaudited)

Special meetings of shareholders were held on April 6, 2017 and adjourned and reconvened on April 18, 2017 (together, the "meeting"). At the meeting, the following matters were voted on and approved by shareholders. Each vote reported represents one dollar of net asset value held on the record date for the meeting. The results of the meeting are noted below.

Proposals

1. For all Portfolios, to approve a new investment advisory agreement between the Trust, on behalf of the Portfolio, and Janus Capital Management LLC.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
2,638,178,774.950	2,370,873,935.428	100,178,894.048	110,214,167.941	(1.627)	2,581,266,995.790

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
89.868	3.797	4.178	0.000	97.843	91.849	3.881	4.270	0.000	100.000

4. To elect an additional Trustee to the Board of Trustees of the Trust. - Diane L. Wallace.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.947	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.343	90.950	9.050	0.000	0.000	100.000

Alan A. Brown, William D. Cvengros, Raudline Etienne, William F. McCalpin, Gary A. Poliner, James T. Rothe, William D. Stewart and Linda S. Wolf continue to serve as Trustees following the meeting.

5. For all Portfolios, except Global Unconstrained Bond Portfolio, to approve a proposal that would authorize the Adviser to enter into and materially amend sub-advisory agreements in the future with wholly-owned subadvisers and unaffiliated sub-advisers, with the approval of the Board of Trustees of the Trust, but without obtaining additional shareholder approval.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
2,638,178,774.950	2,114,660,169.894	279,702,102.306	186,904,723.606	(0.016)	2,581,266,995.790

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.156	10.602	7.085	0.000	97.843	81.923	10.836	7.241	0.000	100.000

Janus Henderson VIT Balanced Portfolio
Notes

Knowledge. Shared

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos Knowledge. Shared.

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

This report is submitted for the general information of shareholders of the Portfolio. It is not an offer or solicitation for the Portfolio and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

Portfolios distributed by Janus Henderson Distributors

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SEMIANNUAL REPORT
June 30, 2017

Janus Henderson VIT Research Portfolio (formerly named Janus Aspen Janus Portfolio)

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Research Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We seek to create a high-conviction portfolio reflecting the best ideas of our research team.

Team-Based Approach
Led by Carmel Wellso,
Director of Research

PERFORMANCE OVERVIEW

For the six-month period ended June 30, 2017, Janus Henderson VIT Research Portfolio's Institutional Shares and Service Shares returned 16.09% and 15.91%, respectively. Meanwhile, the Portfolio's primary benchmark, the Russell 1000 Growth Index, returned 13.99% and its secondary benchmark, the S&P 500 Index, returned 9.34%. Another benchmark we use to measure performance, the Core Growth Index, returned 11.65%. 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

U.S. stocks kicked off the period continuing their post-election rally as the market hoped that the Trump administration would champion pro-growth reforms. The promise of regulatory and tax relief enabled investors to take in stride March and June interest rate hikes by the Federal Reserve (Fed). Despite comments by Fed Chairwoman Janet Yellen that the U.S. economy could withstand an additional rate increase in the latter part of 2017 – a view that seemed to conflict with softening economic data, namely a decline in core inflation – several benchmark stock indices achieved record highs by period end. On a sector basis, technology and health care stocks led markets higher. Only telecommunications and energy delivered negative returns, with the latter being impacted by a roughly 18% drop in the price of the country's crude oil benchmark.

PERFORMANCE DISCUSSION

Our Portfolio, which represents the best ideas of our six sector teams, focuses on companies that we believe can generate multiyear growth. Investing in companies with characteristics such as brand power and competitive position, we believe, can drive superior long-term performance. The diversified nature of the portfolio is also designed to minimize macroeconomic risks. This period we were pleased to see many of the stocks representing our highest conviction ideas produce impressive results and drive our outperformance of the benchmark.

Stock selection in the information technology and consumer staples sector were the largest contributors to relative performance. Stock selection in the financials and consumer discretionary sectors detracted from relative results.

Alphabet Inc., the parent company of Google, was our largest contributor on an absolute basis. The company continued to execute on the key tenets underpinning our thesis in the enterprise. Both Google search and YouTube remained important revenue generators, with commanding positions in their respective markets. Yet, the main headline surrounding Alphabet during the quarter, at first, appeared to represent a substantial risk. The fine suggested by Europe's antitrust regulator against Alphabet stood to be the largest ever imposed by that entity. Yet, the market has been aware of these allegations for years and the ultimate decision was largely priced into the stock. Still, we recognize the possibility of increased regulatory risk for Alphabet and other leading Internet companies as governments review their market positions and privacy policies. While the Trump administration, in our view, has so far taken a lightertouch approach to Internet regulation, we believe that European authorities will continue to exercise greater vigilance.

Adobe Systems also added to performance. The stock was up after the company announced earnings and revenue that exceeded its expectations. We continue to like the direction of the company. By moving its Adobe software to a cloud-based, subscription model, Adobe has captured a more steady revenue stream and has made its design software accessible to new user bases. We also like the potential for its digital marketing business, which assists companies in producing digital content.

Salesforce was another contributor. The stock fell at the end of 2016, in large part because of rumors it would try to acquire Twitter. In our view, the social media company was not a natural fit for the business. When Salesforce confirmed it would not pursue the acquisition and reported better-than-expected earnings this quarter, the stock rebounded. We continue to like Salesforce's position as a leader in cloud-based enterprise software, and believe it will benefit as marketing and sales departments move more functions from on-premises software to the cloud.

While pleased with our relative performance during the period, we still held stocks that detracted from our results. Bristol-Myers Squibb was our largest detractor. Disappointing clinical results for a trial pairing its cancer drug, Opdivo, with another treatment negatively affected the stock this quarter. We sold the stock due to concerns the company's cancer treatments would lose market share within the immuno-oncology space.

Also weighing on performance was AutoZone. The stock of the auto parts supplier declined when the company reported quarterly earnings and revenue that fell short of consensus expectations. Management attributed the weak results to a delay in tax refunds and a mild winter (which reduced demand for certain parts and repairs). But investors have also started to worry about the impact that e-commerce (namely, Amazon) will have on the auto parts business. We believe this risk is real but also recognize that AutoZone has an enviable market position and continues to gain share. The company also is investing in its inventory management and omnichannel capabilities, which should help AutoZone better compete with e-commerce.

Anadarko Petroleum was another detractor. Falling oil prices hurt the stock, as did news that an uncapped underground gas pipe from an Anadarko well caused a Colorado home explosion. We are sensitive to the news about the explosion, but believe investors are overly concerned with the outlook for future Denver-Julesburg Basin development. Also weighing on performance were underwhelming drilling results in the Delaware Basin, which were a function of Anadarko's desire to capture operatorship across an area of mutual interest with Royal Dutch Shell. We expect that well performance and capital efficiency will meaningfully improve as Anadarko moves toward full development mode. We also think the market is overlooking the earnings resiliency of Anadarko's midstream business, where revenues are tied to oil volumes flowing through the pipeline, not prices. It's worth noting that even as oil prices have cratered, U.S. energy companies have ramped up oil production in recent months, meaning oil volumes remain strong.

DERIVATIVES USE

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

OUTLOOK

The Trump Trade has given way to the Trump tirade. Instead of getting legislative reform in the last few months, we are mired in investigations, leaks and (of course) tweets. Indeed, the optimism that erupted among investors and businesses following the November election is being tested, creating a gap between "soft data" (sentiment) and "hard data" (corporate investment). That gap matters when you consider that the S&P 500 is in the ninth year of a bull market, one of the longest on record. Price-to-earnings (P/E) ratios for many benchmarks also are near the top of their historical ranges, making it difficult to find inexpensive stocks.

Despite these negatives, stocks globally continue to rally. Businesses are also showing signs of strength. During the first quarter, more companies in the S&P 500 beat their earnings estimates than missed. That is important since we believe profits, not multiple expansion, will be a key driver of equity performance going forward. Markets could get another boost if and when President Donald Trump's ambitious agenda is realized. Lower regulation, tax reform and infrastructure spending – while far from implementation – would increase confidence and fuel corporate spending, driving earnings growth and market returns.

A discussion of investor confidence naturally brings us back to Trump and to global politics overall. Although companies may delay spending as they await clarity on regulations and tax policy, competitive pressures could eventually force firms to loosen their purse strings. Industry consolidation, for example, often leads to more deals as businesses try to defend market share. Capacity expansion, too, can prompt companies to invest.

Still, not all firms will be able to flex their competitive muscles equally, which should help companies differentiate their business models and growth profiles. With equity correlations already falling, active investors may increasingly find attractive opportunities. Indeed, while the Trump Trade was about sectors, the trade ahead, we think, will be about individual stocks.

Thank you for your investment in Janus Henderson VIT Research Portfolio.

Janus Henderson VIT Research Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Top Performers - Holdings

	Contribution
Alphabet Inc - Class C	1.11%
Amazon.com Inc	0.97%
Adobe Systems Inc	0.83%
salesforce.com Inc	0.70%
Facebook Inc	0.70%

5 Bottom Performers - Holdings

	Contribution
Bristol-Myers Squibb Co	-0.32%
AutoZone Inc	-0.29%
Lowe's Cos Inc	-0.18%
Anadarko Petroleum Corp	-0.13%
Walt Disney Co	-0.12%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Information Technology	1.45%	37.22%	32.86%
Consumer Staples	0.71%	7.39%	9.08%
Real Estate	0.38%	2.70%	2.71%
Health Care	0.30%	15.84%	15.83%
Telecommunication Services	0.26%	0.72%	1.04%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Other**	-0.22%	1.41%	0.00%
Financials	-0.20%	2.50%	2.86%
Consumer Discretionary	-0.19%	17.50%	20.72%
Energy	-0.14%	0.79%	0.52%
Materials	-0.13%	2.38%	3.56%

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 six analyst teams who comprise the Janus Henderson Research Team.

** Not a covered sector.

Janus Henderson VIT Research Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Largest Equity Holdings - (% of Net Assets)

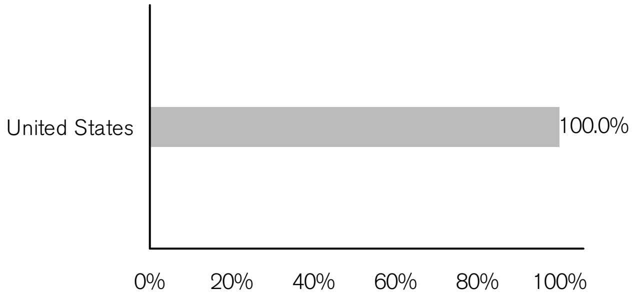
Alphabet Inc - Class C	
Internet Software & Services	5.6%
Microsoft Corp	
Software	4.6%
Apple Inc	
Technology Hardware, Storage & Peripherals	3.7%
Amazon.com Inc	
Internet & Direct Marketing Retail	3.6%
Facebook Inc	
Internet Software & Services	3.1%
	20.6%

Asset Allocation - (% of Net Assets)

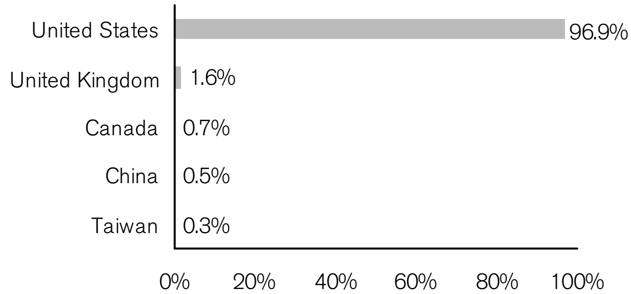
Common Stocks	99.8%
Investment Companies	0.7%
Other	(0.5)%
	100.0%

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

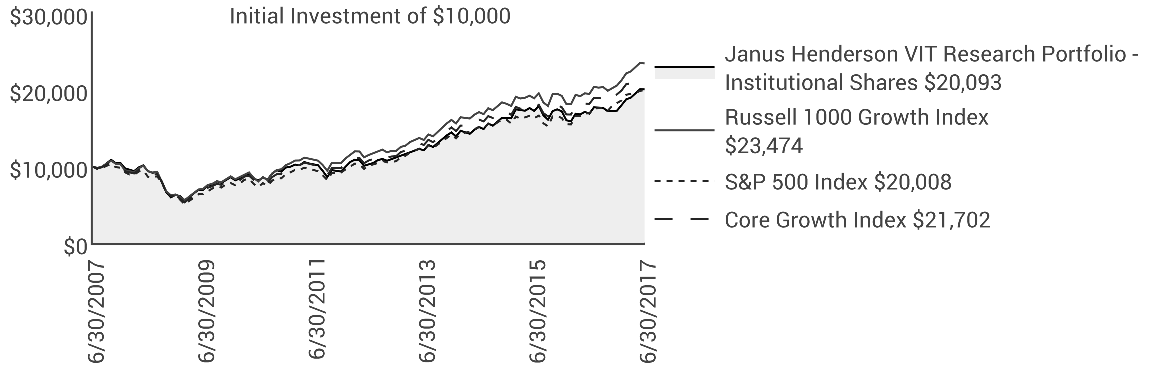
As of June 30, 2017



As of December 31, 2016



Janus Henderson VIT Research Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2017	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2017 prospectuses: Total Annual Fund Operating Expenses
Institutional Shares	16.09%	18.76%	14.35%	7.23%	8.22%	0.64%
Service Shares	15.91%	18.43%	14.06%	6.96%	7.92%	0.89%
Russell 1000 Growth Index	13.99%	20.42%	15.30%	8.91%	9.01%	
S&P 500 Index	9.34%	17.90%	14.63%	7.18%	9.34%	
Core Growth Index	11.65%	19.17%	14.98%	8.06%	9.22%	
Morningstar Quartile - Institutional Shares	-	3rd	2nd	3rd	3rd	
Morningstar Ranking - based on total returns for Large Growth Funds	-	925/1,490	643/1,409	732/1,175	278/462	

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 877.335.2687 or visit janushenderson.com/VITperformance

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

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Returns shown do not represent actual returns since they do not include insurance charges. 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 Henderson VIT 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.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct

See "Useful Information About Your Portfolio Report."

Effective May 1, 2017, the Portfolio is managed by the Janus Henderson Research Team, overseen by Carmel Wellso.

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

Janus Henderson VIT 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 (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Beginning Account Value (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Net Annualized Expense Ratio (1/1/17 - 6/30/17)
Institutional Shares	$1,000.00	$1,160.90	$3.27	$1,000.00	$1,021.77	$3.06	0.61%
Service Shares	$1,000.00	$1,159.10	$4.60	$1,000.00	$1,020.53	$4.31	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 181/365 (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 Henderson VIT Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – 99.8%		
Aerospace & Defense – 2.2%		
General Dynamics Corp	36,220	$7,175,182
Northrop Grumman Corp	16,664	4,277,815
		11,452,997
Air Freight & Logistics – 0.9%		
FedEx Corp	22,306	4,847,763
Airlines – 1.2%		
United Continental Holdings Inc*	80,999	6,095,175
Auto Components – 1.0%		
Delphi Automotive PLC	61,811	5,417,734
Beverages – 1.7%		
Coca-Cola Co	195,910	8,786,563
Biotechnology – 3.9%		
Biogen Inc*	21,540	5,845,094
Celgene Corp*	55,882	7,257,395
Regeneron Pharmaceuticals Inc*	13,965	6,858,770
		19,961,259
Building Products – 0.7%		
AO Smith Corp	66,258	3,732,313
Capital Markets – 1.8%		
Blackstone Group LP	47,622	1,588,194
Intercontinental Exchange Inc	55,560	3,662,515
TD Ameritrade Holding Corp	95,162	4,091,014
		9,341,723
Chemicals – 3.2%		
Air Products & Chemicals Inc	49,228	7,042,558
Monsanto Co	36,906	4,368,194
Sherwin-Williams Co	14,071	4,938,358
		16,349,110
Communications Equipment – 0.4%		
CommScope Holding Co Inc*	58,132	2,210,760
Construction Materials – 1.1%		
Vulcan Materials Co	45,351	5,745,065
Consumer Finance – 0.4%		
Synchrony Financial	64,471	1,922,525
Containers & Packaging – 1.0%		
Sealed Air Corp	111,731	5,001,080
Diversified Consumer Services – 0.6%		
ServiceMaster Global Holdings Inc*	75,685	2,966,095
Electrical Equipment – 2.0%		
AMETEK Inc	96,734	5,859,178
Sensata Technologies Holding NV*	111,437	4,760,589
		10,619,767
Electronic Equipment, Instruments & Components – 2.2%		
Amphenol Corp	89,274	6,590,207
Flex Ltd*	291,626	4,756,420
		11,346,627
Equity Real Estate Investment Trusts (REITs) – 2.1%		
American Tower Corp	75,260	9,958,403
Colony Starwood Homes	27,847	955,431
		10,913,834
Food & Staples Retailing – 0.9%		
Costco Wholesale Corp	30,008	4,799,179
Food Products – 0.7%		
Hershey Co	33,145	3,558,779
Health Care Equipment & Supplies – 2.2%		
Boston Scientific Corp*	207,400	5,749,128
Cooper Cos Inc	10,265	2,457,646

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

Janus Henderson VIT Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Health Care Equipment & Supplies – (continued)		
DexCom Inc*	43,528	$3,184,073
		11,390,847
Health Care Providers & Services – 2.3%		
Aetna Inc	34,194	5,191,675
Envision Healthcare Corp*	45,291	2,838,387
Universal Health Services Inc	31,562	3,853,089
		11,883,151
Health Care Technology – 1.0%		
athenahealth Inc*	35,254	4,954,950
Hotels, Restaurants & Leisure – 4.5%		
Aramark	82,893	3,396,955
Dunkin' Brands Group Inc	70,623	3,892,740
McDonald's Corp	48,330	7,402,223
Norwegian Cruise Line Holdings Ltd*	27,088	1,470,608
Starbucks Corp	123,355	7,192,830
		23,355,356
Information Technology Services – 5.1%		
Amdocs Ltd	45,978	2,963,742
Gartner Inc*	27,990	3,457,045
Mastercard Inc	74,154	9,006,003
Visa Inc	119,567	11,212,993
		26,639,783
Insurance – 0.8%		
Progressive Corp	99,307	4,378,446
Internet & Direct Marketing Retail – 4.8%		
Amazon.com Inc*	19,275	18,658,200
Priceline Group Inc*	3,205	5,995,017
		24,653,217
Internet Software & Services – 9.5%		
Alphabet Inc - Class C*	31,782	28,881,257
CoStar Group Inc*	15,951	4,204,684
Facebook Inc	106,710	16,111,076
		49,197,017
Leisure Products – 0.7%		
Polaris Industries Inc	40,990	3,780,508
Life Sciences Tools & Services – 1.9%		
Quintiles IMS Holdings Inc*	49,305	4,412,797
Thermo Fisher Scientific Inc	30,950	5,399,846
		9,812,643
Machinery – 1.2%		
Illinois Tool Works Inc	41,925	6,005,756
Media – 3.4%		
Comcast Corp	231,394	9,005,854
Walt Disney Co	83,008	8,819,600
		17,825,454
Oil, Gas & Consumable Fuels – 0.8%		
Anadarko Petroleum Corp	32,734	1,484,160
Antero Resources Corp*	46,723	1,009,684
Enterprise Products Partners LP	57,002	1,543,614
		4,037,458
Personal Products – 1.2%		
Estee Lauder Cos Inc	64,674	6,207,411
Pharmaceuticals – 2.6%		
Allergan PLC	24,346	5,918,269
Eli Lilly & Co	91,119	7,499,094
		13,417,363
Professional Services – 1.4%		
Equifax Inc	27,262	3,746,344

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

Janus Henderson VIT Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Professional Services – (continued)		
Verisk Analytics Inc*	40,072	$3,380,875
		7,127,219
Real Estate Investment Trusts (REITs) – 0.1%		
Colony American Homes III§	442,372	450,622
Real Estate Management & Development – 0.2%		
CBRE Group Inc*	27,963	1,017,853
Road & Rail – 1.6%		
CSX Corp	155,192	8,467,276
Semiconductor & Semiconductor Equipment – 2.2%		
Microchip Technology Inc	68,613	5,295,551
Texas Instruments Inc	76,087	5,853,373
		11,148,924
Software – 13.0%		
Activision Blizzard Inc	145,121	8,354,616
Adobe Systems Inc*	79,608	11,259,756
Cadence Design Systems Inc*	138,426	4,635,887
Microsoft Corp	347,244	23,935,529
salesforce.com Inc*	78,528	6,800,525
SS&C Technologies Holdings Inc	64,642	2,482,899
Tyler Technologies Inc*	35,076	6,161,801
Ultimate Software Group Inc*	18,848	3,959,211
		67,590,224
Specialty Retail – 2.8%		
AutoZone Inc*	4,481	2,556,231
L Brands Inc	36,190	1,950,279
Lowe's Cos Inc	105,630	8,189,494
Tractor Supply Co	37,085	2,010,378
		14,706,382
Technology Hardware, Storage & Peripherals – 3.7%		
Apple Inc	131,662	18,961,961
Textiles, Apparel & Luxury Goods – 1.9%		
Carter's Inc	27,832	2,475,656
NIKE Inc	127,598	7,528,282
		10,003,938
Tobacco – 2.3%		
Altria Group Inc	159,168	11,853,241
Wireless Telecommunication Services – 0.6%		
T-Mobile US Inc*	51,028	3,093,317
Total Common Stocks (cost $405,126,339)		517,028,665
Investment Companies – 0.7%		
Money Markets – 0.7%		
Janus Cash Liquidity Fund LLC, 0.9803%∞,£ (cost $3,753,000)	3,753,000	3,753,000
Total Investments (total cost $408,879,339) – 100.5%		520,781,665
Liabilities, net of Cash, Receivables and Other Assets – (0.5)%		(2,831,932)
Net Assets – 100%		$517,949,733

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

Russell 1000® Growth Index	Russell 1000® Growth Index reflects the performance of U.S. large-cap equities with higher price-to-book ratios and higher forecasted growth values.
Core Growth Index	Core Growth Index is 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	S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company

* Non-income producing security.

ºº Rate shown is the 7-day yield as of June 30, 2017.

£ 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, 2017. Unless otherwise indicated, all information in the table is for the period ended June 30, 2017.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 6/30/17*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/17*
Janus Cash Liquidity Fund LLC	5,920,000	46,775,923	(48,942,923)	3,753,000	$—	$19,052	$3,753,000

§ Schedule of Restricted and Illiquid Securities (as of June 30, 2017)

	Acquisition Date	*Cost*	*Value*	*Value as a % of Net Assets*
Colony American Homes III	1/30/13	$ 555,244	$ 450,622	0.1%

The Portfolio has registration rights for certain restricted securities held as of June 30, 2017. 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, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	***Level 2 - Other Significant Observable Inputs***	***Level 3 - Significant Unobservable Inputs***
Assets			
Investments in Securities:			
Common Stocks			
Real Estate Investment Trusts (REITs)	$ -	$ -	$ 450,622
All Other	516,578,043	-	-
Investment Companies	-	3,753,000	-
Total Assets	$ 516,578,043	$ 3,753,000	$ 450,622

Janus Henderson VIT Research Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2017

Assets:		
Investments, at cost	$	408,879,339
Unaffiliated investments, at value		517,028,665
Affiliated investments, at value		3,753,000
Non-interested Trustees' deferred compensation		9,215
Receivables:		
Investments sold		2,008,020
Dividends		388,192
Portfolio shares sold		15,338
Foreign tax reclaims		1,931
Dividends from affiliates		1,432
Other assets		1,152
Total Assets		523,206,945
Liabilities:		
Due to custodian		1,365,163
Payables:		
Investments purchased		3,295,291
Advisory fees		269,527
Portfolio shares repurchased		211,906
12b-1 Distribution and shareholder servicing fees		34,646
Transfer agent fees and expenses		24,907
Professional fees		14,985
Non-interested Trustees' deferred compensation fees		9,215
Portfolio administration fees		4,369
Non-interested Trustees' fees and expenses		2,781
Custodian fees		46
Accrued expenses and other payables		24,376
Total Liabilities		5,257,212
Net Assets	$	517,949,733
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	398,151,440
Undistributed net investment income/(loss)		807,828
Undistributed net realized gain/(loss) from investments and foreign currency transactions		7,086,286
Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation		111,904,179
Total Net Assets	$	517,949,733
Net Assets - Institutional Shares	$	362,061,061
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		10,909,275
Net Asset Value Per Share	$	33.19
Net Assets - Service Shares	$	155,888,672
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		4,803,406
Net Asset Value Per Share	$	32.45

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2017

Investment Income:		
Dividends	$	2,724,787
Dividends from affiliates		19,052
Foreign tax withheld		(1,407)
Total Investment Income		2,742,432
Expenses:		
Advisory fees		1,276,363
12b-1Distribution and shareholder servicing fees:		
Service Shares		190,031
Transfer agent administrative fees and expenses:		
Institutional Shares		87,550
Service Shares		38,006
Other transfer agent fees and expenses:		
Institutional Shares		6,337
Service Shares		1,694
Shareholder reports expense		28,746
Portfolio administration fees		22,736
Professional fees		20,943
Registration fees		16,370
Custodian fees		9,324
Non-interested Trustees' fees and expenses		4,563
Other expenses		18,837
Total Expenses		1,721,500
Net Investment Income/(Loss)		1,020,932
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		31,483,443
Total Net Realized Gain/(Loss) on Investments		31,483,443
Change in Unrealized Net Appreciation/Depreciation:		
Investments and non-interested Trustees' deferred compensation		41,778,533
Total Change in Unrealized Net Appreciation/Depreciation		41,778,533
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	74,282,908

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Statements of Changes in Net Assets

	Period ended June 30, 2017 (unaudited)	Year ended December 31, 2016
Operations:		
Net investment income/(loss)	$ 1,020,932	$ 1,986,659
Net realized gain/(loss) on investments	31,483,443	28,581,471
Change in unrealized net appreciation/depreciation	41,778,533	(28,910,524)
Net Increase/(Decrease) in Net Assets Resulting from Operations	74,282,908	1,657,606
Dividends and Distributions to Shareholders:		
Dividends from Net Investment Income		
Institutional Shares	(897,480)	(1,882,866)
Service Shares	(240,081)	(579,147)
Total Dividends from Net Investment Income	(1,137,561)	(2,462,013)
Distributions from Net Realized Gain from Investment Transactions		
Institutional Shares	(3,425,857)	(21,802,599)
Service Shares	(1,510,437)	(9,582,277)
Total Distributions from Net Realized Gain from Investment Transactions	(4,936,294)	(31,384,876)
Net Decrease from Dividends and Distributions to Shareholders	(6,073,855)	(33,846,889)
Capital Share Transactions:		
Institutional Shares	(16,042,119)	(27,969,269)
Service Shares	(8,633,710)	(9,235,600)
Net Increase/(Decrease) from Capital Share Transactions	(24,675,829)	(37,204,869)
Net Increase/(Decrease) in Net Assets	43,533,224	(69,394,152)
Net Assets:		
Beginning of period	474,416,509	543,810,661
End of period	$ 517,949,733	$ 474,416,509
Undistributed Net Investment Income/(Loss)	$ 807,828	$ 924,457

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$28.93	$30.84	$35.76	$34.20	$26.45	$22.84
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.08(1)	0.14(1)	0.17(1)	0.15(1)	0.16	0.27
Net realized and unrealized gain/(loss)	4.58	(0.03)	1.92	4.08	7.83	3.92
Total from Investment Operations	4.66	0.11	2.09	4.23	7.99	4.19
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.08)	(0.16)	(0.23)	(0.13)	(0.24)	(0.14)
Distributions (from capital gains)	(0.32)	(1.86)	(6.78)	(2.54)	—	(0.44)
Total Dividends and Distributions	(0.40)	(2.02)	(7.01)	(2.67)	(0.24)	(0.58)
Net Asset Value, End of Period	$33.19	$28.93	$30.84	$35.76	$34.20	$26.45
Total Return*	16.09%	0.50%	5.35%	12.99%	30.34%	18.59%
Net Assets, End of Period (in thousands)	$362,061	$330,516	$380,663	$431,838	$433,603	$374,860
Average Net Assets for the Period (in thousands)	$352,771	$353,738	$413,393	$420,607	$399,973	$377,786
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.61%	0.62%	0.71%	0.55%	0.54%	0.53%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.61%	0.62%	0.71%	0.55%	0.54%	0.53%
Ratio of Net Investment Income/(Loss)	0.48%	0.47%	0.49%	0.44%	0.65%	1.08%
Portfolio Turnover Rate	40%	58%	54%	60%	50%	38%

Service Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$28.31	$30.24	$35.21	$33.74	$26.13	$22.60
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.04(1)	0.06(1)	0.08(1)	0.06(1)	0.02	0.17
Net realized and unrealized gain/(loss)	4.47	(0.02)	1.89	4.03	7.79	3.91
Total from Investment Operations	4.51	0.04	1.97	4.09	7.81	4.08
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.05)	(0.11)	(0.16)	(0.08)	(0.20)	(0.11)
Distributions (from capital gains)	(0.32)	(1.86)	(6.78)	(2.54)	—	(0.44)
Total Dividends and Distributions	(0.37)	(1.97)	(6.94)	(2.62)	(0.20)	(0.55)
Net Asset Value, End of Period	$32.45	$28.31	$30.24	$35.21	$33.74	$26.13
Total Return*	15.91%	0.27%	5.08%	12.73%	29.99%	18.28%
Net Assets, End of Period (in thousands)	$155,889	$143,900	$163,148	$162,422	$170,880	$177,638
Average Net Assets for the Period (in thousands)	$153,166	$151,772	$166,602	$163,094	$174,538	$184,029
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.86%	0.87%	0.97%	0.80%	0.79%	0.78%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.86%	0.87%	0.97%	0.80%	0.79%	0.78%
Ratio of Net Investment Income/(Loss)	0.23%	0.22%	0.25%	0.19%	0.41%	0.82%
Portfolio Turnover Rate	40%	58%	54%	60%	50%	38%

* 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 Henderson VIT Research Portfolio (formerly named Janus Aspen Janus Portfolio) (the "Portfolio") is a series 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, each of which offers multiple share classes, 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, 2017 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, 2017.

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.

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, 2017 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 call options on various equity securities for the purpose of increasing exposure to individual equity risk.

During the period ended June 30, 2017, the average ending monthly market value amounts on purchased call options is $290.

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, 2017.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2017

Amount of Realized Gain/(Loss) Recognized on Derivatives

Derivative	*Equity Contracts*
Investments and foreign currency transactions	$(145,374)[(a)]

Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives

Derivative	*Equity Contracts*
Investments and non-interested Trustees' deferred compensation	$ 143,346[(a)]

(a) Amounts relate to purchased options.

Please see the Net Realized Gain/(Loss) on Investments and "Change in Unrealized Net Appreciation/Depreciation" section of the Portfolio's Statement of Operations.

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”) of 2010 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”). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, 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.

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. Prior to May 1, 2017, the Portfolio's benchmark index used in the calculation is the Core Growth Index. Effective May 1, 2017, the Portfolio's performance fee adjustment will be calculated based on a combination of the Core Growth Index and Russell 1000® Growth Index for a period of 36 months.

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 based on the Portfolio's relative performance compared to the cumulative investment record of its benchmark index over a 36-month performance measurement period.

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, 2017, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.51%.

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 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 some or all of the 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 $1,138 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2017. 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 Henderson 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, 2017 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 and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the period ended June 30, 2017 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 $206,075 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2017.

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, 2017 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, 2017, the Portfolio engaged in cross trades amounting to $25,949,753 in purchases and $20,462,603 in sales, resulting in a net realized gain of $2,766,881. The net realized gain is included within the "Net Realized 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.

Accumulated capital losses noted below represent net capital loss carryovers, as of December 31, 2016, 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, 2016

	No Expiration		
December 31, 2017	Short-Term	Long-Term	Accumulated Capital Losses
$ (23,370,699)	$ -	$ -	$ (23,370,699)

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, 2017 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)*
$ 409,515,057	$116,635,701	$ (5,369,093)	$ 111,266,608

6. Capital Share Transactions

	Period ended June 30, 2017		*Year ended December 31, 2016*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	97,615	$ 3,117,649	291,626	$ 8,538,238
Reinvested dividends and distributions	128,747	4,323,337	834,649	23,685,465
Shares repurchased	(740,110)	(23,483,105)	(2,048,258)	(60,192,972)
Net Increase/(Decrease)	(513,748)	$(16,042,119)	(921,983)	$(27,969,269)
Service Shares:				
Shares sold	134,147	$ 4,184,911	497,999	$ 14,331,748
Reinvested dividends and distributions	53,304	1,750,518	365,761	10,161,424
Shares repurchased	(467,340)	(14,569,139)	(1,176,387)	(33,728,772)
Net Increase/(Decrease)	(279,889)	$ (8,633,710)	(312,627)	$ (9,235,600)

7. Purchases and Sales of Investment Securities

For the period ended June 30, 2017, 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*
$200,751,909	$ 223,489,671	$ -	$ -

8. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X is August 1, 2017. Management believes that many of the Regulation S-X amendments are consistent with the Portfolio's current financial statement presentation and will not have a significant impact on the Portfolio.

The FASB issued Accounting Standards Update No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08") to amend the amortization period for certain purchased callable debt securities held at a premium. The guidance requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impacts of ASU 2017-08 on the financial statements.

9. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. (“JCGI”), the direct parent of Janus Capital, and Henderson Group plc (“Henderson”) announced that they had entered into an Agreement and Plan of Merger (“Merger Agreement”) relating to the strategic combination of Henderson and JCGI (the “Merger”). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson will merge with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson. The Merger is expected to close in the second quarter of 2017, subject to requisite shareholder and regulatory approvals.

The consummation of the Merger may be deemed to be an “assignment” (as defined in the 1940 Act) of the advisory agreement between the Portfolio and Janus Capital that is in effect as of the date of this Report. As a result, the consummation of the Merger will cause the investment advisory agreement to terminate automatically in accordance with its terms.

On December 8, 2016, the Trustees approved, subject to approval of shareholders, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger (“Post-Merger Advisory Agreement”). The Post-Merger Advisory Agreement will have substantially similar terms as the corresponding investment advisory agreement that is in effect as of the date of this Report.

Special Meeting(s) of Shareholders were held on April 6, 2017, and adjourned and reconvened on April 18, 2017, April 25, 2017, April 28, 2017, and May 17, 2017 (together, the “Meeting”).

Approval of Advisory Agreements

On April 6, 2017, shareholders of the Portfolio approved the Post-Merger Advisory Agreement with Janus Capital. The Post- Merger Advisory Agreement took effect upon the consummation of the Merger.

10. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2017 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 1-877-335-2687 (toll free); (ii) on the Portfolio's website at janushenderson.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 janushenderson.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 Henderson at 1-877-335-2687 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

What follows is a discussion of the material factors and conclusions with respect thereto that formed the basis for the Trustees of Janus Aspen Series' approval of the investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, during the period. This discussion references a Transaction (as defined below) to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., which resulted in the Trustees' consideration of new investment advisory agreements for the Funds and sub-advisory agreements for the Funds, as applicable. During the period, the Trustees also approved the renewal of the existing investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, which were subsequently replaced by the new investment advisory and sub-advisory agreements at the close of the Transaction on May 30, 2017.

Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

On September 15, 2016, Janus Capital Group Inc. ("Janus") advised the Trustees of Janus Aspen Series (the "Trust"), each of whom serves as an "independent" Trustee (the "Board" or the "Trustees"), of its intent to seek a strategic combination of its advisory business with Henderson Group plc ("Henderson"). The Board met with the Chief Executive Officer of Janus, who outlined the proposed combination and the potential benefits to Janus Capital Management LLC ("Janus Capital") and each Fund of the Trust (each, a "Fund" and collectively, the "Funds").

Subsequent to the September 15, 2016 meeting, the Trustees identified a list of basic principles, which they believed should serve as the foundation for their review of the organizational, operational and strategic issues involved with any potential change in control of Janus Capital, the investment adviser to the Funds. These basic principles were communicated to Janus Capital on September 27, 2016, and were intended to be shared with Henderson. On October 3, 2016, Janus announced that it had entered into a definitive Agreement and Plan of Merger with Henderson pursuant to which Janus and Henderson agreed to effect an all-stock merger of equals strategic combination of their respective businesses, with Janus Capital surviving the merger as a direct wholly-owned subsidiary of Henderson (the "Transaction"). The Board was advised that, subject to certain conditions, the Transaction is currently expected to close during the second quarter of 2017.

As part of its due diligence, the Board developed an initial list of questions related to the proposed transaction, which was provided to Janus Capital on October 6, 2016. At a special Board meeting held on October 19, 2016, the Board considered Janus Capital's response to the initial information request and met with the management of Janus to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, addressing, among other matters, the personnel expected to provide such services, and the resources available to do so. After its October 19, 2016 meeting, the Board developed a supplemental request for additional information, which was provided to Janus Capital on October 26, 2016. At another special Board meeting held on November 7-8, 2016, the Board considered Janus Capital's response to the supplemental information request and again met with the management of Janus and Henderson to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, and also met with various officers of the Funds and of Janus Capital including various Fund portfolio managers. After its November 7-8, 2016 meeting, the Board developed a second supplemental request for additional information, which was provided to Janus Capital on November 21, 2016. On December 7-8, 2016, the Board met to consider Janus

Capital's response to the second supplemental information request and to also consider the proposed new investment advisory agreements between the Trust, on behalf of each Fund, and Janus Capital (each, a "New Advisory Agreement" and collectively, the "New Advisory Agreements") and the new sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH Investment Management LLC ("INTECH") or Perkins Investment Management LLC ("Perkins") as sub-advisers (each, a "New Sub-Advisory Agreement" and collectively, the "New Sub-Advisory Agreements") to take effect immediately after the Transaction or shareholder approval, whichever is later. During each of these meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. Throughout the process, the Board had the assistance of its independent legal counsel, who advised them on, among other things, its duties and obligations.

In connection with the Board's review, Janus Capital provided, and the Board obtained, substantial information regarding the following matters: the management, financial position and business of Henderson; the history of Henderson's business and operations; the investment performance of the investment companies advised by Henderson; the proposed structure, operations and investment processes of the combined investment management organization after the Transaction and the strategy for operating and growing the business following the Transaction; the future plans of Janus and Henderson with respect to the Funds and any proposed changes to the operations or structure of the Funds; and the future plans of Janus and Henderson with respect to the provision of services to the Funds, and the entities providing such services, including those affiliated with Janus. The Board also received information regarding the terms of the Transaction, anticipated management of the combined organization, the resources that each of Janus and Henderson bring to the combined organization and the process being followed by Janus and Henderson to integrate their organizations. The Board also received information regarding the impact of the Transaction on each of INTECH and Perkins.

In connection with the Board's approval of New Advisory Agreements and New Sub-Advisory Agreements at its December 8, 2016 meeting, the Board also continued its on-going annual process to determine whether to continue the existing investment advisory agreements between Janus Capital and the Trust on behalf of each Fund (each, a "Current Advisory Agreement" and collectively, the "Current Advisory Agreements") and the existing sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH or Perkins as sub-advisers (each, a "Current Sub-Advisory Agreement" and collectively, the "Current Sub-Advisory Agreements"). In this regard, the Board received and reviewed information provided by Janus and the respective Sub-Advisers in response to requests of the Board and its independent legal counsel. The Board also received and reviewed information and analysis provided by, and in response to requests of, its independent fee consultant. The Board noted that as part of this annual process, the Board had considered and was in the process of considering, numerous factors, including the nature and quality of services provided by Janus Capital and each Sub-Adviser, as applicable; investment performance, on an absolute basis and relative to appropriate peer groups and one or a combination of market indices; investment management fees, expense ratios and asset sizes of the Funds and peer groups; investment management fees charged to comparable investment companies, separate accounts and non-fund clients; Janus Capital's profitability from managing the Funds; fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital; and the potential benefits to Janus Capital, the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In determining whether to approve the New Advisory Agreement for each Fund and the New Sub-Advisory Agreement for Funds managed by INTECH or Perkins in connection with the Transaction, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- The terms of the New Advisory Agreements are substantially similar to the corresponding Current Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.
- The terms of the New Sub-Advisory Agreements are substantially similar to the corresponding Current Sub-Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Sub-Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.

- Janus Capital's plans for the operation of the Funds, including its plans for the continued provision of all services currently provided to the Funds by Janus Capital and its affiliates, including, among others, investment advisory services, portfolio trading services, and Fund administrative and accounting services, and the personnel and resources proposed to support the provision of such services.
- The estimated profitability to Janus Capital from managing the Funds after the Transaction, including potential economies of scale and fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital, and the potential benefits to Janus Capital, and the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In connection with its deliberations, the Board received assurances from Janus, on behalf of itself and its affiliates (collectively, "Janus") including the following:

- Janus has provided to the Board such information as it believes is reasonably necessary to evaluate the New Advisory Agreements and New Sub-Advisory Agreements.
- Janus is committed to the continuance, without interruption, of services to the Funds of at least the type and quality currently provided by Janus Capital and its affiliates, or superior thereto.
- The Transaction is not expected to affect negatively the nature, extent or quality of the investment advisory services provided by Janus Capital to the Funds following the Transaction, and the investment advisory services are expected to be at least comparable to the services being provided under the Current Advisory Agreements and Current Sub-Advisory Agreements. In this regard, the Board noted specific representations that Janus does not intend for the nature, extent or quality of investment advisory and other services to be provided to the Funds following the Transaction to change, and the extent of such services were expected to increase based on the combined resources of the combined investment management organization after the Transaction, and should the nature, extent or quality of such services decline, Janus would commit the resources needed to return such services to pre-Transaction levels.
- The Funds' current operations were expected to remain largely unchanged, except for certain fund reorganizations which will be separately considered by the Board, and such other changes as were or will be presented to the Board.
- The Transaction is not expected to result in any changes to the portfolio managers providing services to the Funds.
- After the Transaction, the distribution and marketing services provided to the Janus Funds were expected to be improved or enhanced based on the combined resources of Janus and Henderson. In this regard, Janus Capital advised the Board that after the Transaction, the extent of distribution and marketing services provided to the Janus Funds are expected to increase based on the combined resources of Janus and Henderson. This is due primarily to the anticipated increase of sales related resources and expanded global presence of the combined Janus Henderson organization, which is expected to enhance visibility and brand recognition of the Janus Henderson Funds.
- The intent of Janus Capital to take the necessary and appropriate steps to retain and attract key investment advisory personnel.
- The intent of Janus to take the necessary and appropriate steps to retain and attract key compliance, financial, fund accounting and administrative personnel supporting the management and oversight of the Funds.
- Janus is not aware of any express or implied term, condition, arrangement or understanding that would impose in its best judgement an "unfair burden" on any Fund as a result of the Transaction, as defined in Section 15(f) of the 1940 Act, and that Janus will take no action that would have the effect of imposing such an "unfair burden" on any Fund in connection with the Transaction.

Janus assured the Board that it intended to comply with Section 15(f) of the Investment Company Act of 1940, as amended. Section 15(f) provides a non-exclusive safe harbor for an investment adviser to an investment company or any of its affiliated persons to receive any amount or benefit in connection with a change in control of the investment adviser so long as two conditions are met. First, for a period of three years after the transaction, at least 75% of the

board members of the investment company must not be interested persons of such investment adviser (as defined under the 1940 Act). The composition of the Board is in compliance with this provision of Section 15(f). In addition, after careful review and consideration, the Board determined that it would be in the best interests of the Funds to add to the Board an individual who currently acts as a non-interested board member of the Henderson Trust. The Board believes that this change in the Board composition will provide perspective and insight relating to experience working with the Henderson organization. The Board's Nominating and Governance Committee considered a number of candidates and recommended that the Board nominate one proposed new trustee from those candidates who currently act as non-interested board members of the Henderson Trust. The Board approved that trustee nominee to serve on the Board, subject to election by the shareholders of the Funds and contingent on the closing of the Transaction. If the new trustee is elected and serves on the Board, the Board composition would continue to satisfy the provisions of Section 15(f).

To meet the second condition of Section 15(f), an "unfair burden" must not be imposed upon the investment company as a result of such transaction or any express or implied terms, conditions or understandings applicable thereto. The term "unfair burden" is defined in Section 15(f) to include any arrangement during the two-year period after the transaction, whereby the investment adviser, or any interested person of such adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its shareholders (other than fees for bona fide investment advisory or other services) or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than bona fide ordinary compensation as principal underwriter for such investment company).

Janus represented that it does not believe that an "unfair burden" will be placed on the Funds as a result of the Transaction. In furtherance thereof, Janus has undertaken to pay the costs of preparing and distributing proxy materials to, and of holding the meetings of, the Funds' shareholders (the "Meetings"), as well as other fees and expenses in connection with the Transaction, including the reasonable fees and expenses of legal counsel and consultants to the Funds and the Trustees. In addition, Janus has agreed, for a period of two years following the closing of the Transaction, (i) not to request any increases to advisory fees for the Funds, other than those proposed to and approved by the Board prior to the close of the Transaction, and (ii) to continue to use the current process by which expense caps are set annually for the Funds.

As a result of its review and consideration of the New Investment Advisory Agreements and New Sub-Advisory Agreements in connection with the Transaction, at a meeting on December 8, 2016, the Board voted unanimously to approve a New Investment Advisory Agreement for each Fund and a New Sub-Advisory Agreement for each Fund managed by INTECH or Perkins, and to recommend such agreements to the Funds' shareholders for their approval.

Approval of Interim Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

In the event shareholders of a Fund do not approve such Fund's New Advisory Agreement and/or New Sub- Advisory Agreement at the Meetings prior to the closing of the Transaction, Janus Capital proposed that an interim investment advisory agreement between Janus Capital and such Fund (each, an "Interim Advisory Agreement" and collectively, the "Interim Advisory Agreements") and an interim sub-advisory agreement between Janus Capital and the applicable Sub-Adviser (each, an "Interim Sub-Advisory Agreement" and collectively, the "Interim Sub- Advisory Agreements") take effect upon the closing of the Transaction. At the December 8, 2016 meeting, the Board, all of whom are Independent Trustees, unanimously approved an Interim Advisory Agreement for each Fund and an Interim Sub-Advisory Agreement for each applicable Fund in order to assure continuity of investment advisory services to the Funds and sub-advisory services to the sub-advised Funds after the Transaction. The terms of each Interim Advisory Agreement are substantially identical to those of the applicable Current Advisory Agreement and New Advisory Agreement, except for the term and escrow provisions described below. Similarly, the terms of each Interim Sub-Advisory Agreement are substantially identical to those of the Current Sub-Advisory Agreements and New Sub-Advisory Agreements, except for the term and escrow provisions described below. The Interim Advisory Agreement and Interim Sub-Advisory Agreement will continue in effect for a term ending on the earlier of 150 days from the closing of the Transaction (the "150-day period") or when shareholders of the Fund approve the New Advisory Agreement and/or New Sub-Advisory Agreement. Pursuant to Rule 15a-4 under the 1940 Act, compensation earned by Janus Capital under an Interim Advisory Agreement and compensation earned by a Sub-Adviser under an Interim Sub-Advisory Agreement will be held in an interest-bearing escrow account. If shareholders of a Fund approve the New Advisory Agreement prior to the end of the 150-day period, the amount held in the escrow account under the Interim Advisory Agreement will be paid to Janus Capital. If shareholders of a Fund approve the New Advisory Agreement and New Sub-Advisory Agreement prior to the

end of the 150-day period, the amount held in the escrow account under the Interim Sub-Advisory Agreement will be paid to the Sub- Adviser. If shareholders of a Fund do not approve the New Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and Janus Capital will be paid the lesser of its costs incurred in performing its services under the Interim Advisory Agreement or the total amount in the escrow account, plus interest earned. If shareholders of a Fund do not approve the New Advisory Agreement and/or New Sub-Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and the Sub-Adviser will be paid the lesser of its costs incurred in performing its services under the Interim Sub-Advisory Agreement or the total amount in the escrow account, plus interest earned.

Approval of an Amended and Restated Investment Advisory Agreement for Janus Henderson Research Portfolio (formerly, Janus Portfolio)

Janus Capital met with the Trustees on December 7-8, 2016, to discuss the approval of an amended and restated investment advisory agreement (the “Amended Advisory Agreement”) between Janus Capital and the Trust on behalf of Janus Portfolio (for the purposes of this section, the “Fund” refers to Janus Portfolio) and other matters related to the proposed changes to the Fund’s name, principal investment strategies, and portfolio management team (the “Realignment”). At the meeting, the Trustees also discussed the Amended Advisory Agreement and other matters related to the Realignment with their independent counsel in executive session. During the course of this meeting, the Trustees requested and considered such information as they deemed relevant to their deliberations. In addition, at prior meetings and during the course of this meeting the Board also considered the proposal to merge the Janus Fund, a series of Janus Investment Fund, into the Janus Research Fund, another series of Janus Investment Fund, and undertook a comprehensive process to evaluate the impact of the Transaction on the nature, quality and extent of services expected to be provided by Janus Capital to the Fund, including after the completion of the Transaction. For a fuller discussion of the Board’s consideration of the approval of a new investment advisory agreement for the Fund in connection with the Transaction, see “Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period” above.

At a meeting of the Board of Trustees held on December 8, 2016, the Trustees approved the Amended Advisory Agreement and other matters related to the Realignment. In determining whether to approve the Amended Advisory Agreement, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- the terms of the Amended Advisory Agreement are substantially the same as the Current Advisory Agreement, except for the change to the advisory fee rate based on the amount of such outperformance or underperformance (the “Full Performance Rate”) and cumulative investment record of the Fund’s benchmark index (the “Performance Fee Benchmark”);
- the estimated impact of the change to the Full Performance Rate and Performance Fee Benchmark on the amount of advisory fees to be paid by the Fund, including consideration of comparative pro forma data showing the advisory fees payable if the Amended Advisory Agreement had been in place in prior years;
- the Fund’s investment team will be able to more efficiently manage the Fund’s portfolio, assuming the merger of the Janus Fund into Janus Research Fund is implemented, which may also provide benefits from opportunities to aggregate trading across funds that have similar investment strategies;
- Janus Capital’s belief that the Fund shareholders may benefit from the Realignment, as a result of the research- driven investment process to be implemented, which includes lower historical transaction costs and potential performance gains from securities lending as compared to the Fund’s current investment approach;
- the Realignment was being proposed as part of Janus Capital’s efforts to streamline its product line;
- Janus Capital’s belief that the Fund would benefit from Janus Capital’s operational efficiencies resulting from the merger of the Janus Fund into the Janus Research Fund and the Realignment, including a potentially more efficient and effective investment management approach providing the potential for a growing fund and improved performance after the Realignment;
- the costs of seeking approval of the Amended Advisory Agreement will be borne by Janus Capital;

- the costs incurred to reposition the Fund's portfolio in connection with the Realignment;
- the potential tax consequences of any repositioning of the Fund's portfolio as a result of the Merger; and any potential benefits of Janus Capital and its affiliates as a result of the Realignment.

Renewal of Advisory and Sub-Advisory Agreements with Janus Capital and Janus Capital Affiliates 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.

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the proposed transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which Janus Capital advised the Trustees was expected to close in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements both prior to the close of the Transaction, and afterwards, if the Transaction were not to close. If the Transaction closes, all such agreements would be replaced by new investment advisory agreements and subadvisory agreements, as applicable, for each Fund, assuming requisite Fund shareholder approvals have been obtained.

At a meeting held on January 26, 2017, 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 February 1, 2017 through February 1, 2018, 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, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, 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, 2016.
- For Janus Henderson Real Return Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Short-Term Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

<u>Asset Allocation Funds</u>

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

<u>Alternative Fund</u>

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

<u>Value Funds</u>

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Mid Cap Value Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Value Plus Income Fund (formerly, 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, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Income Managed Volatility Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson Asia Equity Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Life Sciences Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Overseas Fund (formerly, Janus Henderson Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Balanced Portfolio (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Flexible Bond Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Mid Cap Value Portfolio (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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.

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 average 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 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average 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 average total expenses for its Broadridge Expense Group peers and to average 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) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; and (4) in the majority of cases, the Funds receive proportionally better pricing than the industry in relation to Janus institutional and subadvised accounts.

The Trustees considered the fees for each Fund for its fiscal year ended in 2015, 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that, although the Fund’s total expenses exceeded the peer group average 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 Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, 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 Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average 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 Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's total expenses exceeded the peer group average for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group average 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 Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's total expenses were below the peer group average 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 Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Value Plus Income Fund (formerly, Perkins Value Plus Income Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Income Managed Volatility Fund (formerly, INTECH Global Income Managed Volatility Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio (formerly, Janus Aspen Balanced Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Flexible Bond Portfolio (formerly, Janus Aspen Flexible Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for its sole share class.
- For Janus Henderson Research Portfolio (formerly, 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 Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average 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 their independent fee consultant's analysis of economies of scale in 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 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% 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 past 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 Henderson VIT 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, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson 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.

Special meetings of shareholders were held on April 6, 2017 and adjourned and reconvened on April 18, 2017 (together, the "meeting"). At the meeting, the following matters were voted on and approved by shareholders. Each vote reported represents one dollar of net asset value held on the record date for the meeting. The results of the meeting are noted below.

Proposals

1. For all Portfolios, to approve a new investment advisory agreement between the Trust, on behalf of the Portfolio, and Janus Capital Management LLC.

	Number of Votes ($)				
Record Date Votes ($)	Affirmative	Against	Abstain	BNV	Total
476,711,784.612	385,601,168.365	13,027,232.567	39,439,018.372	3.552	438,067,419.304

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	Against	Abstain	BNV	Total	Affirmative	Against	Abstain	BNV	Total
80.888	2.733	8.273	0.000	91.894	88.023	2.974	9.003	0.000	100.000

3. For Janus Portfolio, to approve an amended and restated investment advisory agreement to change the benchmark index and full performance rate used to calculate the performance adjustment component of the Portfolio's investment advisory fee rate.

	Number of Votes ($)				
Record Date Votes ($)	Affirmative	Against	Abstain	BNV	Total
476,711,784.612	346,343,638.916	38,377,421.315	36,412,266.624	3.552	438,067,419.304

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	Against	Abstain	BNV	Total	Affirmative	Against	Abstain	BNV	Total
72.653	8.050	7.638	3.552	91.894	79.062	8.761	8.312	3.866	100.000

4. To elect an additional Trustee to the Board of Trustees of the Trust. - Diane L. Wallace.

	Number of Votes ($)				
Record Date Votes ($)	Affirmative	Against	Abstain	BNV	Total
7,198,647,378.476	6,547,141,899.530	651,505,478.947	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	Against	Abstain	BNV	Total	Affirmative	Against	Abstain	BNV	Total
80.347	7.995	0.000	0.000	88.343	90.950	9.050	0.000	0.000	100.000

Alan A. Brown, William D. Cvengros, Raudline Etienne, William F. McCalpin, Gary A. Poliner, James T. Rothe, William D. Stewart and Linda S. Wolf continue to serve as Trustees following the meeting.

5. For all Portfolios, except Global Unconstrained Bond Portfolio, to approve a proposal that would authorize the Adviser to enter into and materially amend sub-advisory agreements in the future with wholly-owned subadvisers and unaffiliated sub-advisers, with the approval of the Board of Trustees of the Trust, but without obtaining additional shareholder approval.

	Number of Votes ($)				
Record Date Votes ($)	Affirmative	Against	Abstain	BNV	Total
476,711,784.612	337,763,647.599	59,874,786.985	40,428,955.600	3.552	438,067,419.304

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	Against	Abstain	BNV	Total	Affirmative	Against	Abstain	BNV	Total
70.853	12.560	8.481	0.000	91.894	77.103	13.668	9.229	0.000	100.000

Knowledge. Shared

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos Knowledge. Shared.

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

This report is submitted for the general information of shareholders of the Portfolio. It is not an offer or solicitation for the Portfolio and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

Portfolios distributed by Janus Henderson Distributors

109-24-93078 08-17

SEMIANNUAL REPORT
June 30, 2017

Janus Henderson VIT Enterprise Portfolio (formerly named Janus Aspen Enterprise Portfolio)

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT 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.

Philip Cody Wheaton
co-portfolio manager

Brian Demain
co-portfolio manager

PERFORMANCE OVERVIEW

During the six months ended June 30, 2017, Janus Henderson VIT Enterprise Portfolio's Institutional Shares and Service Shares returned 14.33% and 14.16%, respectively. Meanwhile, the Portfolio's benchmark, the Russell Midcap® Growth Index, returned 11.40%.

INVESTMENT ENVIRONMENT

U.S. mid-cap stocks experienced strong gains during the period. Stocks rose in the first quarter, buoyed by economic data points that suggested global economic growth was returning and hopes that the Trump administration's proposed pro-growth initiatives would further jump-start the economy. Strong corporate earnings and a low global interest rate environment were also supportive of stocks. The health care and technology sectors were the best performing sectors within the Russell Midcap® Growth Index. The energy sector lagged the broader index, due in large part to falling oil prices.

PERFORMANCE DISCUSSION

Our Portfolio tends to emphasize "durable growth" companies that we believe have more predictable business models, recurring revenue streams, strong free cash flow growth and strong competitive positioning that should allow them to take market share and experience sustainable long-term growth across a variety of economic environments. We believe a collection of these higher quality growth companies can help the Portfolio outperform when markets are down and drive relative outperformance over full market cycles. This period, we were pleased to see many of the companies in our portfolio continue to put up impressive results, validating the durability of their business models and collectively driving our relative outperformance.

Two health care companies, Boston Scientific and PerkinElmer, were among our top contributors to performance during the period. A general migration away from pharmaceutical stocks toward other areas of the health care sector less affected by potential drug price regulation has benefited both stocks.

While stocks of medical device and life science tools companies benefited from this move, there are company specific reasons we own both stocks. We are encouraged by initiatives Boston Scientific's management team is undertaking to boost its product pipeline, expand operating margins and grow revenue. We also believe new product launches from the medical device company, especially in the cardiovascular field, offer promising growth potential.

PerkinElmer produces life science tools for human and environmental health end markets. While the stock benefited from the migration away from pharmaceutical stocks to other areas of the health care sector, PerkinElmer's acquisition of a medical diagnostic company was also viewed favorably by the market and helped drive the stock this period. We believe PerkinElmer has a strong set of niche products and like that management is working to improve operating margins. We also believe increased awareness on food and environmental safety is a long-term tailwind for the company.

Outside the health care sector, SS&C Technologies was a top contributor. The company provides software-enabled services to asset managers. We believe accelerating revenue growth in the second half of 2016 – in what was a challenging environment for its hedge fund clients – has demonstrated the durability of the company's earnings. There had been concerns that weak performance by hedge funds could lead to consolidation in the industry and fewer clients demanding SS&C's services. However, we have long believed that SS&C isn't wholly dependent on new clients and a booming hedge fund industry for growth. In addition to hedge funds, its client base covers a diverse range of investment strategies, including traditional asset managers, real estate funds and private equity. The company has also historically driven earnings from cross-selling new services to these clients and accretive mergers and acquisitions. Revenue growth in recent periods has helped confirm our thesis.

While generally pleased with the Portfolio's performance this period, we still held stocks that detracted from our results. Ritchie Bros. Auctioneers was our largest detractor. The company conducts worldwide public auctions of heavy industrial equipment used in construction, transportation and agriculture. Auction proceeds were a little soft during the period, which negatively affected the stock. Our long-term view of the company remains unchanged, however. We believe that earnings for auctioneers such as Ritchie Bros. are less economically sensitive than many other industrial companies: in strong economic environments, companies must buy heavy equipment to expand; in weak economic environments, they must sell the equipment that is not being used.

World Fuel Services was another detractor. The fuel logistics company has had difficulties managing its costs, which has negatively affected the stock. We believe World Fuel Services will ultimately address its cost issues. We continue to hold the stock, and believe a business linking fuel buyers and sellers in transportation markets around the world is a valuable service for clients. We also believe the company can continue to take share within the fragmented industries in which it operates.

Tractor Supply Company was also among our largest detractors. Tractor Supply Company provides a number of farming materials, targeting hobbyist farmers and outdoor enthusiasts. We believe the company has better buying power than subscale regional players it competes against. Much of the material it sells has a high weight to value factor, meaning it's not easy to ship. This insulates Tractor Supply from e-commerce disruption more than many other retailers. The stock has been down due to disappointing sales that have led to negative earnings revisions. Additionally, the stock has de-rated as the market questions the future growth opportunities of the company. The stock is a small position in our Portfolio and we continue to monitor the company's progress.

DERIVATIVES

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

OUTLOOK

We've been surprised by the market's complacency this year. Stocks have enjoyed a near continual trek upward and volatility remains historically low. It's questionable how long these trends can continue. We don't portend a major downturn in equities and don't foresee a specific catalyst that will trigger volatility, but high valuations make it difficult to see much more upside in stocks.

Against this backdrop, we believe we can add value. In a volatile or low-return environment, the market tends to reward high-quality growth companies. Such companies have been the focal point of our investment process for the last decade and we believe the coming months could again underscore the benefit of taking a high-quality approach.

Thank you for your investment in Janus Henderson VIT Enterprise Portfolio.

Janus Henderson VIT Enterprise Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Top Performers - Holdings

	Contribution
Boston Scientific Corp	0.55%
PerkinElmer Inc	0.52%
SS&C Technologies Holdings Inc	0.50%
Varian Medical Systems Inc	0.49%
athenahealth Inc	0.48%

5 Bottom Performers - Holdings

	Contribution
Ritchie Bros Auctioneers Inc	-0.21%
World Fuel Services Corp	-0.14%
Tractor Supply Co	-0.11%
WEX Inc	-0.11%
Middleby Corp	-0.04%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Consumer Discretionary	1.50%	9.65%	22.67%
Industrials	0.88%	18.20%	14.73%
Consumer Staples	0.78%	0.00%	6.81%
Information Technology	0.50%	34.24%	22.82%
Health Care	0.33%	18.92%	15.65%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Other**	-0.48%	4.50%	0.00%
Materials	-0.30%	2.07%	5.21%
Utilities	0.00%	0.00%	0.00%
Telecommunication Services	0.02%	0.00%	0.28%
Financials	0.05%	7.40%	5.44%

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 Henderson VIT Enterprise Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Largest Equity Holdings - (% of Net Assets)

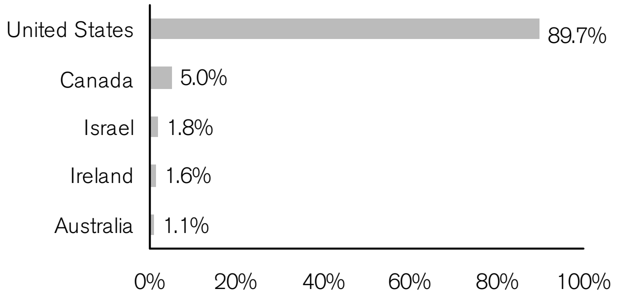
Sensata Technologies Holding NV	
Electrical Equipment	2.3%
TD Ameritrade Holding Corp	
Capital Markets	2.1%
Lamar Advertising Co	
Equity Real Estate Investment Trusts (REITs)	2.1%
Boston Scientific Corp	
Health Care Equipment & Supplies	2.1%
Crown Castle International Corp	
Equity Real Estate Investment Trusts (REITs)	2.0%
	10.6%

Asset Allocation - (% of Net Assets)

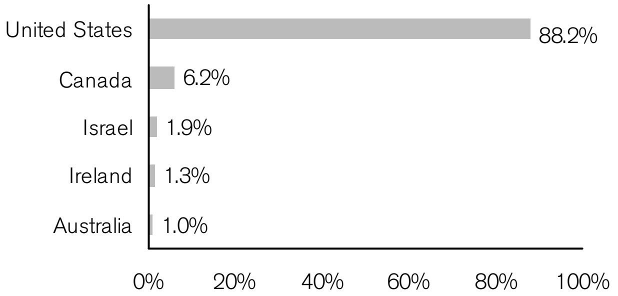
Common Stocks	94.0%
Investment Companies	6.5%
Preferred Stocks	0.1%
Other	(0.6)%
	100.0%

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

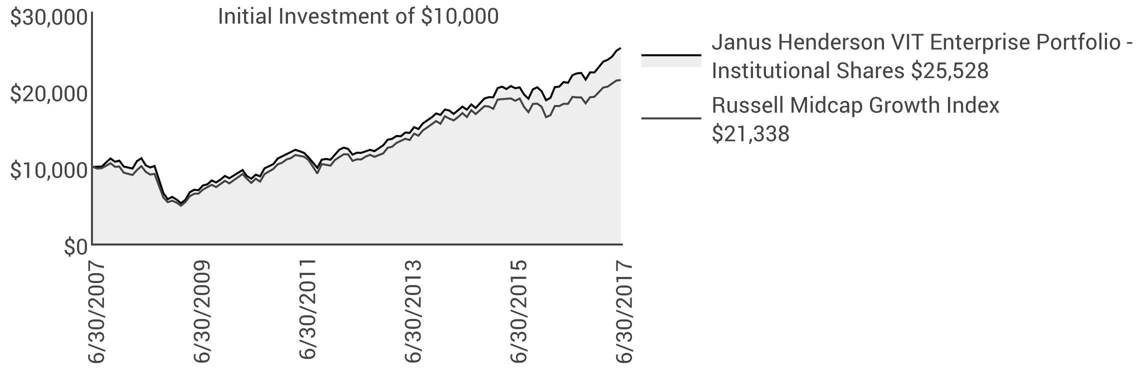
As of June 30, 2017



As of December 31, 2016



Janus Henderson VIT Enterprise Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2017	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2017 prospectuses: Total Annual Fund Operating Expenses
Institutional Shares	14.33%	21.70%	16.60%	9.83%	10.81%	0.74%
Service Shares	14.16%	21.38%	16.31%	9.55%	10.53%	0.98%
Russell Midcap Growth Index	11.40%	17.05%	14.19%	7.87%	9.52%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Mid-Cap Growth Funds	-	129/651	17/597	18/552	24/157	

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 877.335.2687 or visit janushenderson.com/VITperformance

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Returns shown do not represent actual returns since they do not include insurance charges. 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 Henderson VIT Enterprise Portfolio (unaudited)
Performance

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

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

See "Useful Information About Your Portfolio Report."

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

Janus Henderson VIT 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 (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Beginning Account Value (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Net Annualized Expense Ratio (1/1/17 - 6/30/17)
Institutional Shares	$1,000.00	$1,143.30	$3.93	$1,000.00	$1,021.12	$3.71	0.74%
Service Shares	$1,000.00	$1,141.60	$5.20	$1,000.00	$1,019.93	$4.91	0.98%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 181/365 (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 Henderson VIT Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – 94.0%		
Aerospace & Defense – 2.0%		
HEICO Corp	148,505	$9,214,735
Teledyne Technologies Inc*	96,017	12,256,570
		21,471,305
Air Freight & Logistics – 0.6%		
Expeditors International of Washington Inc	118,190	6,675,371
Airlines – 1.6%		
Ryanair Holdings PLC (ADR)*	156,050	16,792,540
Banks – 0.5%		
SVB Financial Group*	28,845	5,070,663
Biotechnology – 2.7%		
Alkermes PLC*	87,868	5,093,708
Celgene Corp*	101,694	13,207,000
Neurocrine Biosciences Inc*	128,843	5,926,778
TESARO Inc*	29,109	4,071,185
		28,298,671
Building Products – 1.0%		
AO Smith Corp	187,700	10,573,141
Capital Markets – 4.7%		
LPL Financial Holdings Inc	319,066	13,547,542
MSCI Inc	128,595	13,243,999
TD Ameritrade Holding Corp	528,045	22,700,655
		49,492,196
Commercial Services & Supplies – 1.8%		
Edenred	321,747	8,388,512
Ritchie Bros Auctioneers Inc	377,759	10,856,794
		19,245,306
Communications Equipment – 0.6%		
Harris Corp	62,566	6,824,699
Containers & Packaging – 1.6%		
Sealed Air Corp	385,812	17,268,945
Diversified Consumer Services – 1.4%		
ServiceMaster Global Holdings Inc*	363,409	14,241,999
Electrical Equipment – 2.9%		
AMETEK Inc	101,894	6,171,720
Sensata Technologies Holding NV*	581,594	24,845,696
		31,017,416
Electronic Equipment, Instruments & Components – 6.5%		
Amphenol Corp	94,358	6,965,508
Belden Inc	126,193	9,518,738
Flex Ltd*	938,916	15,313,720
National Instruments Corp	437,154	17,582,334
TE Connectivity Ltd†	249,241	19,610,282
		68,990,582
Equity Real Estate Investment Trusts (REITs) – 4.1%		
Crown Castle International Corp	207,128	20,750,083
Lamar Advertising Co	306,204	22,527,428
		43,277,511
Health Care Equipment & Supplies – 8.8%		
Boston Scientific Corp*	806,024	22,342,985
Cooper Cos Inc	42,919	10,275,667
DexCom Inc*	98,410	7,198,692
ICU Medical Inc*	33,765	5,824,463
STERIS PLC	207,155	16,883,132
Teleflex Inc	63,436	13,179,463
Varian Medical Systems Inc*	173,014	17,853,315
		93,557,717
Health Care Providers & Services – 0.9%		
Henry Schein Inc*	54,046	9,891,499

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Health Care Technology – 1.7%		
athenahealth Inc*	124,917	$17,557,084
Hotels, Restaurants & Leisure – 2.6%		
Dunkin' Brands Group Inc	285,274	15,724,303
Norwegian Cruise Line Holdings Ltd*	212,539	11,538,742
		27,263,045
Industrial Conglomerates – 1.1%		
Carlisle Cos Inc	61,442	5,861,567
Roper Technologies Inc	25,668	5,942,912
		11,804,479
Information Technology Services – 8.9%		
Amdocs Ltd	284,522	18,340,288
Broadridge Financial Solutions Inc	168,668	12,744,554
Euronet Worldwide Inc*	45,657	3,989,052
Fidelity National Information Services Inc	149,756	12,789,162
Gartner Inc*	82,390	10,175,989
Global Payments Inc	121,132	10,940,642
Jack Henry & Associates Inc	100,714	10,461,163
WEX Inc*	138,445	14,435,660
		93,876,510
Insurance – 1.8%		
Aon PLC	145,017	19,280,010
Internet Software & Services – 2.8%		
Cimpress NV*,#	169,933	16,063,766
CoStar Group Inc*	51,156	13,484,722
		29,548,488
Leisure Products – 0.5%		
Polaris Industries Inc#	55,531	5,121,624
Life Sciences Tools & Services – 5.2%		
PerkinElmer Inc	294,402	20,060,552
Quintiles IMS Holdings Inc*	208,955	18,701,472
Waters Corp*	88,171	16,209,357
		54,971,381
Machinery – 2.3%		
Middleby Corp*	48,237	5,861,278
Rexnord Corp*	539,042	12,532,727
Wabtec Corp/DE	65,260	5,971,290
		24,365,295
Media – 1.0%		
Omnicom Group Inc	131,359	10,889,661
Multiline Retail – 0.5%		
Dollar General Corp	75,737	5,459,880
Oil, Gas & Consumable Fuels – 0.7%		
World Fuel Services Corp	178,144	6,849,637
Professional Services – 2.7%		
IHS Markit Ltd*	207,185	9,124,427
Verisk Analytics Inc*,†	234,959	19,823,491
		28,947,918
Road & Rail – 1.6%		
Canadian Pacific Railway Ltd	49,264	7,922,144
Old Dominion Freight Line Inc	91,975	8,759,699
		16,681,843
Semiconductor & Semiconductor Equipment – 6.4%		
KLA-Tencor Corp	152,971	13,998,376
Lam Research Corp	98,968	13,997,044
Microchip Technology Inc	128,880	9,946,958
ON Semiconductor Corp*	865,251	12,148,124
Xilinx Inc	271,663	17,473,364
		67,563,866

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Software – 9.1%		
Atlassian Corp PLC*	349,128	$12,282,323
Cadence Design Systems Inc*	301,979	10,113,277
Constellation Software Inc/Canada	36,314	19,000,294
Intuit Inc	72,594	9,641,209
Nice Ltd (ADR)	246,748	19,424,003
SS&C Technologies Holdings Inc	491,076	18,862,229
Ultimate Software Group Inc*	34,460	7,238,668
		96,562,003
Specialty Retail – 0.8%		
Tractor Supply Co	48,569	2,632,925
Williams-Sonoma Inc	111,577	5,411,485
		8,044,410
Textiles, Apparel & Luxury Goods – 2.6%		
Carter's Inc	75,142	6,683,881
Gildan Activewear Inc	503,751	15,480,268
Lululemon Athletica Inc*	96,359	5,749,742
		27,913,891
Total Common Stocks (cost $621,538,737)		995,390,586
Preferred Stocks – 0.1%		
Electronic Equipment, Instruments & Components – 0.1%		
Belden Inc, 6.7500% (cost $1,200,000)	12,000	1,244,760
Investment Companies – 6.5%		
Investments Purchased with Cash Collateral from Securities Lending – 0.4%		
Janus Cash Collateral Fund LLC, 0.8560%∞,£	4,215,088	4,215,088
Money Markets – 6.1%		
Janus Cash Liquidity Fund LLC, 0.9803%∞,£	64,741,028	64,741,028
Total Investment Companies (cost $68,956,116)		68,956,116
Total Investments (total cost $691,694,853) – 100.6%		1,065,591,462
Liabilities, net of Cash, Receivables and Other Assets – (0.6)%		(6,697,124)
Net Assets – 100%		$1,058,894,338

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

Country	*Value*	*% of Investment Securities*
United States	$955,444,584	89.7 %
Canada	53,259,500	5.0
Israel	19,424,003	1.8
Ireland	16,792,540	1.6
Australia	12,282,323	1.1
France	8,388,512	0.8
Total	$1,065,591,462	100.0 %

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments (unaudited)
June 30, 2017

Schedule of Foreign Currency Contracts, Open

Counterparty/ Currency	Settlement Date	Currency Units Sold	Currency Value	Unrealized Appreciation/ (Depreciation)
Bank of America:				
Euro	7/13/17	1,816,000	$ 2,074,937	$ (34,280)
Barclays Capital, Inc.:				
Canadian Dollar	7/20/17	556,000	428,968	(10,222)
Euro	7/20/17	2,976,000	3,401,876	(76,449)
			3,830,844	(86,671)
Citibank NA:				
Canadian Dollar	7/20/17	2,209,000	1,704,298	(40,606)
Euro	7/20/17	5,218,000	5,964,715	(134,774)
			7,669,013	(175,380)
HSBC Securities (USA), Inc.:				
Canadian Dollar	7/13/17	2,329,000	1,796,558	(70,261)
Euro	7/13/17	1,407,000	1,607,619	(28,079)
			3,404,177	(98,340)
JPMorgan Chase & Co.:				
Euro	7/20/17	4,748,000	5,427,456	(128,322)
RBC Capital Markets Corp.:				
Canadian Dollar	7/13/17	4,518,000	3,485,123	(136,780)
Euro	7/13/17	4,740,000	5,415,861	(93,708)
			8,900,984	(230,488)
Total			$ 31,307,411	$ (753,481)

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

Russell Midcap® Growth Index	Russell Midcap® Growth Index reflects the performance of U.S. mid-cap equities with higher price-to-book ratios and higher forecasted growth values.
ADR	American Depositary Receipt
LLC	Limited Liability Company
PLC	Public Limited Company

* 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, 2017, is $22,917,250.

ºº Rate shown is the 7-day yield as of June 30, 2017.

Loaned security; a portion of the security is on loan at June 30, 2017.

£ 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, 2017. Unless otherwise indicated, all information in the table is for the period ended June 30, 2017.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 6/30/17*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/17*
Janus Cash Collateral Fund LLC	6,464,316	55,156,346	(57,405,574)	4,215,088	$—	$43,692(1)	$4,215,088
Janus Cash Liquidity Fund LLC	30,395,468	103,098,560	(68,753,000)	64,741,028	—	159,182	64,741,028
Total					$—	$202,874	$68,956,116

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

Janus Henderson VIT 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, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets			
Investments in Securities:			
Common Stocks	$ 995,390,586	$ -	$ -
Preferred Stocks	-	1,244,760	-
Investment Companies	-	68,956,116	-
Total Assets	$ 995,390,586	$ 70,200,876	$ -
Liabilities			
Other Financial Instruments[(a)]:			
Forward Currency Contracts	$ -	$ 753,481	$ -

(a) Other financial instruments include forward currency, futures, written options, written swaptions, 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, certain written options on futures, and centrally cleared swap contracts are reported at their variation margin at measurement date, which represents the amount due to/from the Portfolio at that date. Written options, written swaptions, and other swap contracts are reported at their market value at measurement date.

Janus Henderson VIT Enterprise Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2017

Assets:		
Investments, at cost	$	691,694,853
Unaffiliated investments, at value[(1)]		996,635,346
Affiliated investments, at value		68,956,116
Cash		22,057
Non-interested Trustees' deferred compensation		18,879
Receivables:		
Investments sold		1,426,732
Portfolio shares sold		363,901
Dividends		303,491
Dividends from affiliates		46,934
Other assets		2,497
Total Assets		1,067,775,953
Liabilities:		
Foreign cash due to custodian		16,801
Collateral for securities loaned (Note 3)		4,215,088
Forward currency contracts		753,481
Closed foreign currency contracts		16,833
Payables:		
Portfolio shares repurchased		3,055,962
Advisory fees		595,460
12b-1 Distribution and shareholder servicing fees		107,644
Transfer agent fees and expenses		49,990
Non-interested Trustees' deferred compensation fees		18,879
Professional fees		15,040
Portfolio administration fees		8,839
Non-interested Trustees' fees and expenses		5,342
Custodian fees		184
Accrued expenses and other payables		22,072
Total Liabilities		8,881,615
Net Assets	$	1,058,894,338
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	657,654,343
Undistributed net investment income/(loss)		677,470
Undistributed net realized gain/(loss) from investments and foreign currency transactions		27,416,734
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		373,145,791
Total Net Assets	$	1,058,894,338
Net Assets - Institutional Shares	$	564,150,434
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		8,900,161
Net Asset Value Per Share	$	63.39
Net Assets - Service Shares	$	494,743,904
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		8,260,207
Net Asset Value Per Share	$	59.89

(1) Includes $4,122,990 of securities on loan. See Note 3 in Notes to Financial Statements.

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2017

Investment Income:		
Dividends	$	4,299,407
Dividends from affiliates		159,182
Affiliated securities lending income, net		43,692
Other income		24
Foreign tax withheld		(98,095)
Total Investment Income		4,404,210
Expenses:		
Advisory fees		3,123,230
12b-1Distribution and shareholder servicing fees:		
Service Shares		565,966
Transfer agent administrative fees and expenses:		
Institutional Shares		130,809
Service Shares		113,193
Other transfer agent fees and expenses:		
Institutional Shares		9,311
Service Shares		4,943
Shareholder reports expense		62,707
Portfolio administration fees		44,569
Professional fees		19,939
Registration fees		13,307
Non-interested Trustees' fees and expenses		9,547
Custodian fees		9,369
Other expenses		36,981
Total Expenses		4,143,871
Net Investment Income/(Loss)		260,339
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		27,819,239
Total Net Realized Gain/(Loss) on Investments		27,819,239
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		101,232,328
Total Change in Unrealized Net Appreciation/Depreciation		101,232,328
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	129,311,906

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio
Statements of Changes in Net Assets

	Period ended June 30, 2017 (unaudited)	Year ended December 31, 2016
Operations:		
Net investment income/(loss)	$ 260,339	$ 2,910,449
Net realized gain/(loss) on investments	27,819,239	68,045,643
Change in unrealized net appreciation/depreciation	101,232,328	24,741,659
Net Increase/(Decrease) in Net Assets Resulting from Operations	129,311,906	95,697,751
Dividends and Distributions to Shareholders:		
Dividends from Net Investment Income		
Institutional Shares	(1,431,060)	(643,985)
Service Shares	(715,202)	(98,035)
Total Dividends from Net Investment Income	(2,146,262)	(742,020)
Distributions from Net Realized Gain from Investment Transactions		
Institutional Shares	(35,399,828)	(34,561,214)
Service Shares	(32,692,941)	(31,048,820)
Total Distributions from Net Realized Gain from Investment Transactions	(68,092,769)	(65,610,034)
Net Decrease from Dividends and Distributions to Shareholders	(70,239,031)	(66,352,054)
Capital Share Transactions:		
Institutional Shares	72,116,767	25,003,153
Service Shares	49,203,570	84,512,086
Net Increase/(Decrease) from Capital Share Transactions	121,320,337	109,515,239
Net Increase/(Decrease) in Net Assets	180,393,212	138,860,936
Net Assets:		
Beginning of period	878,501,126	739,640,190
End of period	$ 1,058,894,338	$ 878,501,126
Undistributed Net Investment Income/(Loss)	$ 677,470	$ 2,563,393

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$59.27	$57.33	$61.75	$58.96	$44.77	$38.17
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.05(1)	0.28(1)	0.27(1)	0.27(1)	0.22	0.30
Net realized and unrealized gain/(loss)	8.47	6.50	2.55	6.79	14.23	6.30
Total from Investment Operations	8.52	6.78	2.82	7.06	14.45	6.60
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.17)	(0.09)	(0.40)	(0.10)	(0.26)	—
Distributions (from capital gains)	(4.23)	(4.75)	(6.84)	(4.17)	—	—
Total Dividends and Distributions	(4.40)	(4.84)	(7.24)	(4.27)	(0.26)	—
Net Asset Value, End of Period	$63.39	$59.27	$57.33	$61.75	$58.96	$44.77
Total Return*	14.33%	12.36%	4.05%	12.50%	32.38%	17.29%
Net Assets, End of Period (in thousands)	$564,150	$459,250	$418,158	$417,895	$407,049	$341,699
Average Net Assets for the Period (in thousands)	$526,435	$435,190	$427,941	$402,634	$373,893	$344,014
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.74%	0.72%	0.68%	0.68%	0.69%	0.69%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.74%	0.72%	0.68%	0.68%	0.69%	0.69%
Ratio of Net Investment Income/(Loss)	0.17%	0.48%	0.44%	0.45%	0.28%	0.52%
Portfolio Turnover Rate	7%	20%	22%	16%	15%	15%

Service Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$56.22	$54.67	$59.26	$56.80	$43.18	$36.91
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	(0.03)(1)	0.12(1)	0.11(1)	0.12(1)	(0.03)	0.09
Net realized and unrealized gain/(loss)	8.02	6.19	2.45	6.53	13.83	6.18
Total from Investment Operations	7.99	6.31	2.56	6.65	13.80	6.27
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.09)	(0.01)	(0.31)	(0.02)	(0.18)	—
Distributions (from capital gains)	(4.23)	(4.75)	(6.84)	(4.17)	—	—
Total Dividends and Distributions	(4.32)	(4.76)	(7.15)	(4.19)	(0.18)	—
Net Asset Value, End of Period	$59.89	$56.22	$54.67	$59.26	$56.80	$43.18
Total Return*	14.16%	12.10%	3.77%	12.24%	32.04%	16.99%
Net Assets, End of Period (in thousands)	$494,744	$419,251	$321,482	$278,240	$260,670	$212,971
Average Net Assets for the Period (in thousands)	$455,712	$373,400	$299,393	$262,698	$234,925	$206,153
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.98%	0.97%	0.94%	0.93%	0.94%	0.94%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.98%	0.97%	0.94%	0.93%	0.94%	0.94%
Ratio of Net Investment Income/(Loss)	(0.08)%	0.22%	0.19%	0.20%	0.03%	0.28%
Portfolio Turnover Rate	7%	20%	22%	16%	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 Henderson VIT Enterprise Portfolio (formerly named Janus Aspen Enterprise Portfolio) (the "Portfolio") is a series 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, each of which offers multiple share classes, 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, 2017 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 $21,923,186 were transferred out of Level 2 to Level 1 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, 2017 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, 2017, the average ending monthly currency value amounts on sold forward currency contracts is $26,876,057.

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, 2017.

Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2017

	Currency Contracts
Liability Derivatives:	
Forward currency contracts	$753,481

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, 2017.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2017

Amount of Realized Gain/(Loss) Recognized on Derivatives

Derivative	*Currency Contracts*
Investments and foreign currency transactions	$(1,018,803)[(a)]

Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives

Derivative	*Currency Contracts*
Investments, foreign currency translations and non-interested Trustees' deferred compensation	$ (815,454)[(a)]

(a) Amounts relate to forward currency contracts.

Please see the "Net Realized Gain/(Loss) on Investments" and "Change in Unrealized Net Appreciation/Depreciation" sections of the Portfolio's Statement of Operations.

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") of 2010 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"). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, 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, 2017" 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*
Deutsche Bank AG	$ 4,122,990	$ —	$ (4,122,990)	$ —

Offsetting of Financial Liabilities and Derivative Liabilities

Counterparty	*Gross Amounts of Recognized Liabilities*	*Offsetting Asset or Liability*[(a)]	*Collateral Pledged*[(b)]	*Net Amount*
Bank of America	$ 34,280	$ —	$ —	$ 34,280
Barclays Capital, Inc.	86,671	—	—	86,671
Citibank NA	175,380	—	—	175,380
HSBC Securities (USA), Inc.	98,340	—	—	98,340
JPMorgan Chase & Co.	128,322	—	—	128,322
RBC Capital Markets Corp.	230,488	—	—	230,488
Total	$ 753,481	$ —	$ —	$ 753,481

(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 in accordance with the Agency Securities Lending and Repurchase Agreement. 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 (if applicable). 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, 2017, securities lending transactions accounted for as secured borrowings with an overnight and continuous contractual maturity are $4,122,990 for equity securities. Gross amounts of recognized liabilities for securities lending (collateral received) as of June 30, 2017 is $4,215,088, resulting in the net amount due to the counterparty of $92,098.

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 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 some or all of the 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 $1,138 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2017. 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 Henderson 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, 2017 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, 2017 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 $206,075 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2017.

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, 2017 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, 2017, the Portfolio engaged in cross trades amounting to $2,335,953 in purchases.

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, 2017 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)
$ 691,601,870	$380,552,661	$ (6,563,069)	$ 373,989,592

6. Capital Share Transactions

	Period ended June 30, 2017		Year ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	1,274,153	$80,015,274	979,051	$ 56,320,924
Reinvested dividends and distributions	576,744	36,830,888	632,158	35,205,199
Shares repurchased	(699,349)	(44,729,395)	(1,156,822)	(66,522,970)
Net Increase/(Decrease)	1,151,548	$72,116,767	454,387	$ 25,003,153
Service Shares:				
Shares sold	1,035,432	$63,029,810	2,029,144	$110,199,332
Reinvested dividends and distributions	553,573	33,408,143	589,542	31,146,855
Shares repurchased	(786,131)	(47,234,383)	(1,041,304)	(56,834,101)
Net Increase/(Decrease)	802,874	$49,203,570	1,577,382	$ 84,512,086

7. Purchases and Sales of Investment Securities

For the period ended June 30, 2017, 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
$83,909,525	$ 68,642,203	$ -	$ -

8. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X is August 1, 2017. Management believes that many of the Regulation S-X amendments are consistent with the Portfolio's current financial statement presentation and will not have a significant impact on the Portfolio.

The FASB issued Accounting Standards Update No. 2017-08*, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08") to amend the amortization period for certain purchased callable debt securities held at a premium. The guidance requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impacts of ASU 2017-08 on the financial statements.

9. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. ("JCGI"), the direct parent of Janus Capital, and Henderson Group plc ("Henderson") announced that they had entered into an Agreement and Plan of Merger ("Merger Agreement") relating to the strategic combination of Henderson and JCGI (the "Merger"). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson will merge with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson.

The consummation of the Merger may be deemed to be an "assignment" (as defined in 1940 Act) of the advisory agreement between the Portfolio and Janus Capital that is in effect as of the date of this Report. As a result, the consummation of the Merger will cause the investment advisory agreement to terminate automatically in accordance with its terms.

On December 8, 2016, the Trustees approved, subject to approval of shareholders, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger ("Post-Merger Advisory Agreement"). The Post-Merger Advisory Agreement will have substantially similar terms as the corresponding investment advisory agreement that is in effect as of the date of this Report.

Approval of Advisory Agreements
On April 18, 2017, shareholders of the Portfolio approved the Post-Merger Advisory Agreement with Janus Capital. The Post- Merger Advisory Agreement took effect upon the consummation of the Merger.

10. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2017 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 1-877-335-2687 (toll free); (ii) on the Portfolio's website at janushenderson.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 janushenderson.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 Henderson at 1-877-335-2687 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

What follows is a discussion of the material factors and conclusions with respect thereto that formed the basis for the Trustees of Janus Aspen Series' approval of the investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, during the period. This discussion references a Transaction (as defined below) to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., which resulted in the Trustees' consideration of new investment advisory agreements for the Funds and sub-advisory agreements for the Funds, as applicable. During the period, the Trustees also approved the renewal of the existing investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, which were subsequently replaced by the new investment advisory and sub-advisory agreements at the close of the Transaction on May 30, 2017.

Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

On September 15, 2016, Janus Capital Group Inc. ("Janus") advised the Trustees of Janus Aspen Series (the "Trust"), each of whom serves as an "independent" Trustee (the "Board" or the "Trustees"), of its intent to seek a strategic combination of its advisory business with Henderson Group plc ("Henderson"). The Board met with the Chief Executive Officer of Janus, who outlined the proposed combination and the potential benefits to Janus Capital Management LLC ("Janus Capital") and each Fund of the Trust (each, a "Fund" and collectively, the "Funds").

Subsequent to the September 15, 2016 meeting, the Trustees identified a list of basic principles, which they believed should serve as the foundation for their review of the organizational, operational and strategic issues involved with any potential change in control of Janus Capital, the investment adviser to the Funds. These basic principles were communicated to Janus Capital on September 27, 2016, and were intended to be shared with Henderson. On October 3, 2016, Janus announced that it had entered into a definitive Agreement and Plan of Merger with Henderson pursuant to which Janus and Henderson agreed to effect an all-stock merger of equals strategic combination of their respective businesses, with Janus Capital surviving the merger as a direct wholly-owned subsidiary of Henderson (the "Transaction"). The Board was advised that, subject to certain conditions, the Transaction is currently expected to close during the second quarter of 2017.

As part of its due diligence, the Board developed an initial list of questions related to the proposed transaction, which was provided to Janus Capital on October 6, 2016. At a special Board meeting held on October 19, 2016, the Board considered Janus Capital's response to the initial information request and met with the management of Janus to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, addressing, among other matters, the personnel expected to provide such services, and the resources available to do so. After its October 19, 2016 meeting, the Board developed a supplemental request for additional information, which was provided to Janus Capital on October 26, 2016. At another special Board meeting held on November 7-8, 2016, the Board considered Janus Capital's response to the supplemental information request and again met with the management of Janus and Henderson to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, and also met with various officers of the Funds and of Janus Capital including various Fund portfolio managers. After its November 7-8, 2016 meeting, the Board developed a second supplemental request for additional information, which was provided to Janus Capital on November 21, 2016. On December 7-8, 2016, the Board met to consider Janus

Capital's response to the second supplemental information request and to also consider the proposed new investment advisory agreements between the Trust, on behalf of each Fund, and Janus Capital (each, a "New Advisory Agreement" and collectively, the "New Advisory Agreements") and the new sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH Investment Management LLC ("INTECH") or Perkins Investment Management LLC ("Perkins") as sub-advisers (each, a "New Sub-Advisory Agreement" and collectively, the "New Sub-Advisory Agreements") to take effect immediately after the Transaction or shareholder approval, whichever is later. During each of these meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. Throughout the process, the Board had the assistance of its independent legal counsel, who advised them on, among other things, its duties and obligations.

In connection with the Board's review, Janus Capital provided, and the Board obtained, substantial information regarding the following matters: the management, financial position and business of Henderson; the history of Henderson's business and operations; the investment performance of the investment companies advised by Henderson; the proposed structure, operations and investment processes of the combined investment management organization after the Transaction and the strategy for operating and growing the business following the Transaction; the future plans of Janus and Henderson with respect to the Funds and any proposed changes to the operations or structure of the Funds; and the future plans of Janus and Henderson with respect to the provision of services to the Funds, and the entities providing such services, including those affiliated with Janus. The Board also received information regarding the terms of the Transaction, anticipated management of the combined organization, the resources that each of Janus and Henderson bring to the combined organization and the process being followed by Janus and Henderson to integrate their organizations. The Board also received information regarding the impact of the Transaction on each of INTECH and Perkins.

In connection with the Board's approval of New Advisory Agreements and New Sub-Advisory Agreements at its December 8, 2016 meeting, the Board also continued its on-going annual process to determine whether to continue the existing investment advisory agreements between Janus Capital and the Trust on behalf of each Fund (each, a "Current Advisory Agreement" and collectively, the "Current Advisory Agreements") and the existing sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH or Perkins as sub-advisers (each, a "Current Sub-Advisory Agreement" and collectively, the "Current Sub-Advisory Agreements"). In this regard, the Board received and reviewed information provided by Janus and the respective Sub-Advisers in response to requests of the Board and its independent legal counsel. The Board also received and reviewed information and analysis provided by, and in response to requests of, its independent fee consultant. The Board noted that as part of this annual process, the Board had considered and was in the process of considering, numerous factors, including the nature and quality of services provided by Janus Capital and each Sub-Adviser, as applicable; investment performance, on an absolute basis and relative to appropriate peer groups and one or a combination of market indices; investment management fees, expense ratios and asset sizes of the Funds and peer groups; investment management fees charged to comparable investment companies, separate accounts and non-fund clients; Janus Capital's profitability from managing the Funds; fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital; and the potential benefits to Janus Capital, the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In determining whether to approve the New Advisory Agreement for each Fund and the New Sub-Advisory Agreement for Funds managed by INTECH or Perkins in connection with the Transaction, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- The terms of the New Advisory Agreements are substantially similar to the corresponding Current Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.
- The terms of the New Sub-Advisory Agreements are substantially similar to the corresponding Current Sub-Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Sub-Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.

- Janus Capital's plans for the operation of the Funds, including its plans for the continued provision of all services currently provided to the Funds by Janus Capital and its affiliates, including, among others, investment advisory services, portfolio trading services, and Fund administrative and accounting services, and the personnel and resources proposed to support the provision of such services.
- The estimated profitability to Janus Capital from managing the Funds after the Transaction, including potential economies of scale and fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital, and the potential benefits to Janus Capital, and the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In connection with its deliberations, the Board received assurances from Janus, on behalf of itself and its affiliates (collectively, "Janus") including the following:

- Janus has provided to the Board such information as it believes is reasonably necessary to evaluate the New Advisory Agreements and New Sub-Advisory Agreements.
- Janus is committed to the continuance, without interruption, of services to the Funds of at least the type and quality currently provided by Janus Capital and its affiliates, or superior thereto.
- The Transaction is not expected to affect negatively the nature, extent or quality of the investment advisory services provided by Janus Capital to the Funds following the Transaction, and the investment advisory services are expected to be at least comparable to the services being provided under the Current Advisory Agreements and Current Sub-Advisory Agreements. In this regard, the Board noted specific representations that Janus does not intend for the nature, extent or quality of investment advisory and other services to be provided to the Funds following the Transaction to change, and the extent of such services were expected to increase based on the combined resources of the combined investment management organization after the Transaction, and should the nature, extent or quality of such services decline, Janus would commit the resources needed to return such services to pre-Transaction levels.
- The Funds' current operations were expected to remain largely unchanged, except for certain fund reorganizations which will be separately considered by the Board, and such other changes as were or will be presented to the Board.
- The Transaction is not expected to result in any changes to the portfolio managers providing services to the Funds.
- After the Transaction, the distribution and marketing services provided to the Janus Funds were expected to be improved or enhanced based on the combined resources of Janus and Henderson. In this regard, Janus Capital advised the Board that after the Transaction, the extent of distribution and marketing services provided to the Janus Funds are expected to increase based on the combined resources of Janus and Henderson. This is due primarily to the anticipated increase of sales related resources and expanded global presence of the combined Janus Henderson organization, which is expected to enhance visibility and brand recognition of the Janus Henderson Funds.
- The intent of Janus Capital to take the necessary and appropriate steps to retain and attract key investment advisory personnel.
- The intent of Janus to take the necessary and appropriate steps to retain and attract key compliance, financial, fund accounting and administrative personnel supporting the management and oversight of the Funds.
- Janus is not aware of any express or implied term, condition, arrangement or understanding that would impose in its best judgement an "unfair burden" on any Fund as a result of the Transaction, as defined in Section 15(f) of the 1940 Act, and that Janus will take no action that would have the effect of imposing such an "unfair burden" on any Fund in connection with the Transaction.

Janus assured the Board that it intended to comply with Section 15(f) of the Investment Company Act of 1940, as amended. Section 15(f) provides a non-exclusive safe harbor for an investment adviser to an investment company or any of its affiliated persons to receive any amount or benefit in connection with a change in control of the investment adviser so long as two conditions are met. First, for a period of three years after the transaction, at least 75% of the

board members of the investment company must not be interested persons of such investment adviser (as defined under the 1940 Act). The composition of the Board is in compliance with this provision of Section 15(f). In addition, after careful review and consideration, the Board determined that it would be in the best interests of the Funds to add to the Board an individual who currently acts as a non-interested board member of the Henderson Trust. The Board believes that this change in the Board composition will provide perspective and insight relating to experience working with the Henderson organization. The Board's Nominating and Governance Committee considered a number of candidates and recommended that the Board nominate one proposed new trustee from those candidates who currently act as non-interested board members of the Henderson Trust. The Board approved that trustee nominee to serve on the Board, subject to election by the shareholders of the Funds and contingent on the closing of the Transaction. If the new trustee is elected and serves on the Board, the Board composition would continue to satisfy the provisions of Section 15(f).

To meet the second condition of Section 15(f), an "unfair burden" must not be imposed upon the investment company as a result of such transaction or any express or implied terms, conditions or understandings applicable thereto. The term "unfair burden" is defined in Section 15(f) to include any arrangement during the two-year period after the transaction, whereby the investment adviser, or any interested person of such adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its shareholders (other than fees for bona fide investment advisory or other services) or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than bona fide ordinary compensation as principal underwriter for such investment company).

Janus represented that it does not believe that an "unfair burden" will be placed on the Funds as a result of the Transaction. In furtherance thereof, Janus has undertaken to pay the costs of preparing and distributing proxy materials to, and of holding the meetings of, the Funds' shareholders (the "Meetings"), as well as other fees and expenses in connection with the Transaction, including the reasonable fees and expenses of legal counsel and consultants to the Funds and the Trustees. In addition, Janus has agreed, for a period of two years following the closing of the Transaction, (i) not to request any increases to advisory fees for the Funds, other than those proposed to and approved by the Board prior to the close of the Transaction, and (ii) to continue to use the current process by which expense caps are set annually for the Funds.

As a result of its review and consideration of the New Investment Advisory Agreements and New Sub-Advisory Agreements in connection with the Transaction, at a meeting on December 8, 2016, the Board voted unanimously to approve a New Investment Advisory Agreement for each Fund and a New Sub-Advisory Agreement for each Fund managed by INTECH or Perkins, and to recommend such agreements to the Funds' shareholders for their approval.

Approval of Interim Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

In the event shareholders of a Fund do not approve such Fund's New Advisory Agreement and/or New Sub- Advisory Agreement at the Meetings prior to the closing of the Transaction, Janus Capital proposed that an interim investment advisory agreement between Janus Capital and such Fund (each, an "Interim Advisory Agreement" and collectively, the "Interim Advisory Agreements") and an interim sub-advisory agreement between Janus Capital and the applicable Sub-Adviser (each, an "Interim Sub-Advisory Agreement" and collectively, the "Interim Sub- Advisory Agreements") take effect upon the closing of the Transaction. At the December 8, 2016 meeting, the Board, all of whom are Independent Trustees, unanimously approved an Interim Advisory Agreement for each Fund and an Interim Sub-Advisory Agreement for each applicable Fund in order to assure continuity of investment advisory services to the Funds and sub-advisory services to the sub-advised Funds after the Transaction. The terms of each Interim Advisory Agreement are substantially identical to those of the applicable Current Advisory Agreement and New Advisory Agreement, except for the term and escrow provisions described below. Similarly, the terms of each Interim Sub-Advisory Agreement are substantially identical to those of the Current Sub-Advisory Agreements and New Sub-Advisory Agreements, except for the term and escrow provisions described below. The Interim Advisory Agreement and Interim Sub-Advisory Agreement will continue in effect for a term ending on the earlier of 150 days from the closing of the Transaction (the "150-day period") or when shareholders of the Fund approve the New Advisory Agreement and/or New Sub-Advisory Agreement. Pursuant to Rule 15a-4 under the 1940 Act, compensation earned by Janus Capital under an Interim Advisory Agreement and compensation earned by a Sub-Adviser under an Interim Sub-Advisory Agreement will be held in an interest-bearing escrow account. If shareholders of a Fund approve the New Advisory Agreement prior to the end of the 150-day period, the amount held in the escrow account under the Interim Advisory Agreement will be paid to Janus Capital. If shareholders of a Fund approve the New Advisory Agreement and New Sub-Advisory Agreement prior to the

end of the 150-day period, the amount held in the escrow account under the Interim Sub-Advisory Agreement will be paid to the Sub- Adviser. If shareholders of a Fund do not approve the New Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and Janus Capital will be paid the lesser of its costs incurred in performing its services under the Interim Advisory Agreement or the total amount in the escrow account, plus interest earned. If shareholders of a Fund do not approve the New Advisory Agreement and/or New Sub-Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and the Sub-Adviser will be paid the lesser of its costs incurred in performing its services under the Interim Sub-Advisory Agreement or the total amount in the escrow account, plus interest earned.

Approval of an Amended and Restated Investment Advisory Agreement for Janus Henderson Research Portfolio (formerly, Janus Portfolio)

Janus Capital met with the Trustees on December 7-8, 2016, to discuss the approval of an amended and restated investment advisory agreement (the "Amended Advisory Agreement") between Janus Capital and the Trust on behalf of Janus Portfolio (for the purposes of this section, the "Fund" refers to Janus Portfolio) and other matters related to the proposed changes to the Fund's name, principal investment strategies, and portfolio management team (the "Realignment"). At the meeting, the Trustees also discussed the Amended Advisory Agreement and other matters related to the Realignment with their independent counsel in executive session. During the course of this meeting, the Trustees requested and considered such information as they deemed relevant to their deliberations. In addition, at prior meetings and during the course of this meeting the Board also considered the proposal to merge the Janus Fund, a series of Janus Investment Fund, into the Janus Research Fund, another series of Janus Investment Fund, and undertook a comprehensive process to evaluate the impact of the Transaction on the nature, quality and extent of services expected to be provided by Janus Capital to the Fund, including after the completion of the Transaction. For a fuller discussion of the Board's consideration of the approval of a new investment advisory agreement for the Fund in connection with the Transaction, see "Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period" above.

At a meeting of the Board of Trustees held on December 8, 2016, the Trustees approved the Amended Advisory Agreement and other matters related to the Realignment. In determining whether to approve the Amended Advisory Agreement, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- the terms of the Amended Advisory Agreement are substantially the same as the Current Advisory Agreement, except for the change to the advisory fee rate based on the amount of such outperformance or underperformance (the "Full Performance Rate") and cumulative investment record of the Fund's benchmark index (the "Performance Fee Benchmark");
- the estimated impact of the change to the Full Performance Rate and Performance Fee Benchmark on the amount of advisory fees to be paid by the Fund, including consideration of comparative pro forma data showing the advisory fees payable if the Amended Advisory Agreement had been in place in prior years;
- the Fund's investment team will be able to more efficiently manage the Fund's portfolio, assuming the merger of the Janus Fund into Janus Research Fund is implemented, which may also provide benefits from opportunities to aggregate trading across funds that have similar investment strategies;
- Janus Capital's belief that the Fund shareholders may benefit from the Realignment, as a result of the research- driven investment process to be implemented, which includes lower historical transaction costs and potential performance gains from securities lending as compared to the Fund's current investment approach;
- the Realignment was being proposed as part of Janus Capital's efforts to streamline its product line;
- Janus Capital's belief that the Fund would benefit from Janus Capital's operational efficiencies resulting from the merger of the Janus Fund into the Janus Research Fund and the Realignment, including a potentially more efficient and effective investment management approach providing the potential for a growing fund and improved performance after the Realignment;
- the costs of seeking approval of the Amended Advisory Agreement will be borne by Janus Capital;

- the costs incurred to reposition the Fund's portfolio in connection with the Realignment;
- the potential tax consequences of any repositioning of the Fund's portfolio as a result of the Merger; and any potential benefits of Janus Capital and its affiliates as a result of the Realignment.

Renewal of Advisory and Sub-Advisory Agreements with Janus Capital and Janus Capital Affiliates 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.

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the proposed transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which Janus Capital advised the Trustees was expected to close in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements both prior to the close of the Transaction, and afterwards, if the Transaction were not to close. If the Transaction closes, all such agreements would be replaced by new investment advisory agreements and subadvisory agreements, as applicable, for each Fund, assuming requisite Fund shareholder approvals have been obtained.

At a meeting held on January 26, 2017, 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 February 1, 2017 through February 1, 2018, 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, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, 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, 2016.
- For Janus Henderson Real Return Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Short-Term Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Mid Cap Value Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Value Plus Income Fund (formerly, 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, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Income Managed Volatility Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson Asia Equity Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Life Sciences Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Overseas Fund (formerly, Janus Henderson Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Balanced Portfolio (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Flexible Bond Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Mid Cap Value Portfolio (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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.

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 average 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 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average 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 average total expenses for its Broadridge Expense Group peers and to average 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) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; and (4) in the majority of cases, the Funds receive proportionally better pricing than the industry in relation to Janus institutional and subadvised accounts.

The Trustees considered the fees for each Fund for its fiscal year ended in 2015, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

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

- For Janus Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, 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 Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average 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 Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's total expenses exceeded the peer group average for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group average 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 Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's total expenses were below the peer group average 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 Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Value Plus Income Fund (formerly, Perkins Value Plus Income Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Income Managed Volatility Fund (formerly, INTECH Global Income Managed Volatility Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio (formerly, Janus Aspen Balanced Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Flexible Bond Portfolio (formerly, Janus Aspen Flexible Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for its sole share class.
- For Janus Henderson Research Portfolio (formerly, 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 Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average 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 their independent fee consultant's analysis of economies of scale in 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 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% 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 past 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.

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, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson 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 Henderson VIT Enterprise 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 Henderson VIT Enterprise Portfolio
Shareholder Meeting (unaudited)

Special meetings of shareholders were held on April 6, 2017 and adjourned and reconvened on April 18, 2017 (together, the "meeting"). At the meeting, the following matters were voted on and approved by shareholders. Each vote reported represents one dollar of net asset value held on the record date for the meeting. The results of the meeting are noted below.

Proposals

1. For all Portfolios, to approve a new investment advisory agreement between the Trust, on behalf of the Portfolio, and Janus Capital Management LLC.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
882,303,342.586	574,770,458.510	16,071,053.233	40,646,606.644	(0.028)	631,488,118.360

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
65.144	1.821	4.607	0.000	71.573	91.018	2.545	6.437	0.000	100.000

4. To elect an additional Trustee to the Board of Trustees of the Trust. - Diane L. Wallace.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.947	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.343	90.950	9.050	0.000	0.000	100.000

Alan A. Brown, William D. Cvengros, Raudline Etienne, William F. McCalpin, Gary A. Poliner, James T. Rothe, William D. Stewart and Linda S. Wolf continue to serve as Trustees following the meeting.

5. For all Portfolios, except Global Unconstrained Bond Portfolio, to approve a proposal that would authorize the Adviser to enter into and materially amend sub-advisory agreements in the future with wholly-owned subadvisers and unaffiliated sub-advisers, with the approval of the Board of Trustees of the Trust, but without obtaining additional shareholder approval.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
882,303,342.586	518,490,273.337	62,328,462.044	50,669,382.985	(0.006)	631,488,118.360

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
58.766	7.064	5.743	0.000	71.573	82.106	9.870	8.024	0.000	100.000

Notes

Knowledge. Shared

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos Knowledge. Shared.

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

This report is submitted for the general information of shareholders of the Portfolio. It is not an offer or solicitation for the Portfolio and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

Portfolios distributed by Janus Henderson Distributors

109-24-81116 08-17

SEMIANNUAL REPORT
June 30, 2017

Janus Henderson VIT Global Research Portfolio (formerly named Janus Aspen Global Research Portfolio)

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Global Research Portfolio

Janus Henderson VIT 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 Henderson VIT Global Research Portfolio's Institutional Shares and Service Shares returned 15.38% and 15.22%, respectively, over the six-month period ended June 30, 2017, while its primary benchmark, the MSCI World Index, and its secondary benchmark, the MSCI All Country World Index, returned 10.66% and 11.48%, respectively.

MARKET ENVIRONMENT

Global stocks kicked off the period continuing their post-U.S. election rally as the market hoped that the Trump administration would champion pro-growth reforms. The promise of regulatory and tax relief enabled investors to take in stride March and June interest rate hikes by the Federal Reserve (Fed). Improving economic data in Europe partially offset concerns surrounding populist insurgencies in Dutch and French elections. Markets cheered the victory of Emmanuel Macron in France as confirmation of support for integrated European economies. On a sector basis, technology, health care and industrials stocks led global markets higher. Only energy registered negative returns, impacted by a roughly 17% drop in the price of the global crude oil benchmark. After having sold off in the immediate aftermath of the U.S. election, emerging markets rallied over the six-month period. By period end, several benchmark U.S. indices achieved record highs, as did Germany's blue chip benchmark.

PERFORMANCE DISCUSSION

Our six 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. This period we were pleased to see many of the stocks representing our highest-conviction ideas produce impressive results and drive our outperformance of the benchmark.

Stock selection in the information technology and financial sectors were the largest contributors to relative performance during the period. Stock selection in the health care and materials sectors detracted from relative results.

Insurer AIA Group was our top contributor to performance on an absolute basis. Early in the second quarter the company announced changes to its senior management team, which saw the elevation of two new regional heads, but perhaps the main driver of the stock's performance was a well-received first quarter earnings report. Value of new business (VONB) – a key industry metric – rose a strong 55% year over year, although VONB margins slid slightly to roughly 49%. Total weighted premium income, which is a figure aimed at providing greater visibility into long-term business volumes, rose by 24% year over year. The strength of the earnings report, in our view, reinforces our thesis that AIA is well positioned to benefit from the creation of wealth by Asian consumers and their desire to protect those assets.

Samsung was another top contributor to performance. The stock performed well during the period as investors looked past corruption allegations against senior executives and instead focused on the company's strong execution. Each of Samsung's main business lines – memory, handsets and display – strengthened their positions during the quarter. The company is the world leader in both DRAM and NAND memory. Pricing had remained strong in the former category and the latter is positioned for increased market share due to its innovative 3D-NAND technology. This point is driven home by the expectation that Apple will heavily rely upon the technology for its newest iPhone. Apple also plans to utilize Samsung's OLED display in the iPhone 8, demonstrating the Korean company's superiority in the display business. Samsung's own handset business is set to rebound from last year's Galaxy Note hiccups as the Galaxy 8 – announced during the quarter – received favorable reviews.

Alibaba was another meaningful contributor to the Portfolio. The stock was up largely upon an improved outlook and greater investor confidence in the company's direction. During the quarter, management hosted a well-received analyst day. Guidance for the remainder of 2017 and 2018 was raised. As important, Alibaba provided a greater level of transparency. This step enabled a broader universe of investors to gain insight into the strengths of Alibaba that we had previously uncovered through our deep, fundamental research process.

While pleased with the performance of most holdings in the Portfolio, we still held stocks that detracted from results. Two energy companies, Anadarko Petroleum and Halliburton Co., were among our largest detractors. Falling oil prices hurt both stocks, along with most other companies in the energy sector. News that an uncapped underground gas pipe from an Anadarko well caused a Colorado home explosion also negatively affected Anadarko's stock price. We are sensitive to the news about the explosion, but believe investors are overly concerned with the outlook for future Denver-Julesburg Basin development. Also weighing on performance were underwhelming drilling results in the Delaware Basin, which were a function of Anadarko's desire to capture operatorship across an area of mutual interest with Royal Dutch Shell. We expect that well performance and capital efficiency will meaningfully improve as Anadarko moves toward full development mode. We also think the market is overlooking the earnings resiliency of Anadarko's midstream business, where revenues are tied to oil volumes flowing through the pipeline, not prices. It's worth noting that even as oil prices have cratered, U.S. energy companies have ramped up oil production in recent months, meaning oil volumes remain strong.

We also maintain a high degree of conviction in Halliburton. We view Halliburton as a best-in-class service company. As a standalone company, it is one of the two leaders in oil service, and we believe its strong balance sheet leaves Halliburton better positioned than most of its competitors to handle a weak spending environment by oil and gas companies. We also like that Haliburton has more exposure to North America, where rig count activity has accelerated relative to international activity.

Alder Biopharmaceuticals was another detractor. The stock fell when the firm reported phase 3 trial results for its migraine-headache treatment, eptinezumab, that didn't materially differentiate from other late-stage compounds in development. Management also did not effectively communicate a strategy for how it would move forward based on the trial outcome. We sold our position in Alder prior to the end of the period.

OUTLOOK

The Trump Trade has given way to the Trump tirade. Instead of getting legislative reform in the last few months, we are mired in investigations, leaks and (of course) tweets. Indeed, the optimism that erupted among investors and businesses following the November election is being tested, creating a gap between "soft data" (sentiment) and "hard data" (corporate investment). That gap matters when you consider that the S&P 500 Index is in the ninth year of a bull market, one of the longest on record. Price-to-earnings (P/E) ratios for many benchmarks also are near the top of their historical ranges, making it difficult to find inexpensive stocks.

Despite these negatives, stocks globally continue to rally. Businesses are also showing signs of strength. During the first quarter, more companies in the S&P 500 beat their earnings estimates than missed. That is important since we believe profits, not multiple expansion, will be a key driver of equity performance going forward. Markets could get another boost if and when President Donald Trump's ambitious agenda is realized. Lower regulation, tax reform and infrastructure spending – while far from implementation – would increase confidence and fuel corporate spending, driving earnings growth and market returns.

In Europe, politics and policymakers are also never far from view. So far, though, election outcomes have generally been investor friendly. In France, pro-European Union candidate Emmanuel Macron handily won the presidential election, putting to rest fears about the demise of the euro and European financial system. The UK general election in June – in which Prime Minister Theresa May's Conservative Party lost its parliamentary majority – added to uncertainties about Brexit negotiations. Even so, equity markets did not react negatively to the election's outcome. On the contrary, the London stock market rallied as the country's currency, the sterling, weakened, helping UK exporters.

Expectations for European economic growth are increasing and the region is trading at a larger-than-normal discount to the U.S. Europe must figure out how its central bank can extract itself from the economy. European Central Bank actions have pushed sovereign rates down to remarkably – and likely unsustainably – low levels. The central bank intervention in the U.S. also has been powerful, but the Federal Reserve (Fed) signaled an easing process some time ago and has a stronger economy as a backdrop. Neither bank faces an easy path, but we think the challenge in Europe leaves that region as potentially a higher-risk and, therefore, higher-return investment than U.S. equities.

Meanwhile, China's highly visible hand of intervention has stabilized the country's economy. Consumer spending has improved, foreign-exchange reserves are leveling off and the outflow of capital has eased. A stable and growing China is important for global growth and, of course, for global confidence.

A discussion of investor confidence naturally brings us back to Trump and to global politics overall. Although companies may delay spending as they await clarity on regulations and tax policy, competitive pressures could eventually force firms to loosen their purse strings. Industry consolidation, for example, often leads to more deals as businesses try to defend market share. Capacity expansion, too, can prompt companies to invest.

Still, not all firms will be able to flex their competitive muscles equally, which should help companies differentiate their business models and growth profiles. With equity correlations already falling, active investors may increasingly find attractive opportunities. Indeed, while the Trump Trade was about sectors, the trade ahead, we think, will be about individual stocks.

Thank you for your investment in Janus Henderson VIT Global Research Portfolio.

Janus Henderson VIT Global Research Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Top Performers - Holdings

	Contribution
AIA Group Ltd	0.55%
Samsung Electronics Co Ltd	0.42%
Safran SA	0.41%
Alibaba Group Holding Ltd (ADR)	0.41%
Activision Blizzard Inc	0.41%

5 Bottom Performers - Holdings

	Contribution
Anadarko Petroleum Corp	-0.38%
Synchrony Financial	-0.23%
Halliburton Co	-0.19%
Alder Biopharmaceuticals Inc	-0.15%
Kroger Co	-0.12%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Information Technology	1.45%	19.34%	15.43%
Financials	0.90%	16.01%	17.75%
Consumer Discretionary	0.78%	11.74%	12.36%
Industrials	0.40%	15.09%	11.31%
Utilities	0.27%	2.41%	3.18%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Health Care	-0.27%	12.47%	12.23%
Materials	-0.26%	3.18%	5.04%
Energy	-0.25%	7.27%	6.56%
Other**	-0.06%	0.48%	0.00%
Real Estate	0.17%	2.02%	3.21%

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.

* The sectors listed above reflect those covered by the six analyst teams who comprise the Janus Henderson Research Team.

** Not a covered sector.

Janus Henderson VIT Global Research Portfolio (unaudited)
Portfolio At A Glance
June 30, 2017

5 Largest Equity Holdings - (% of Net Assets)

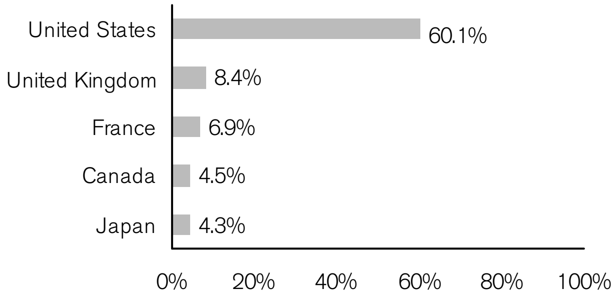
Alphabet Inc – C Class	
Internet Software & Services	2.6%
British American Tobacco PLC	
Tobacco	1.9%
Safran SA	
Aerospace & Defense	1.7%
TOTAL SA	
Oil, Gas & Consumable Fuels	1.6%
JPMorgan Chase & Co	
Banks	1.6%
	9.4%

Asset Allocation - (% of Net Assets)

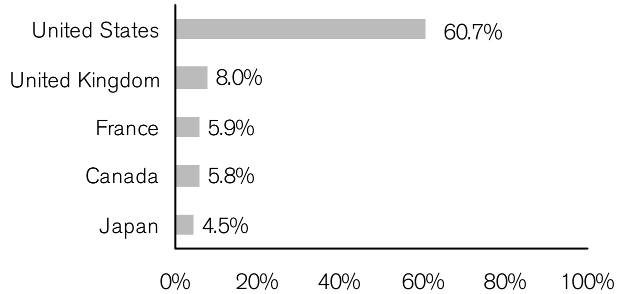
Common Stocks	99.9%
Investment Companies	0.4%
Other	(0.3)%
	100.0%

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

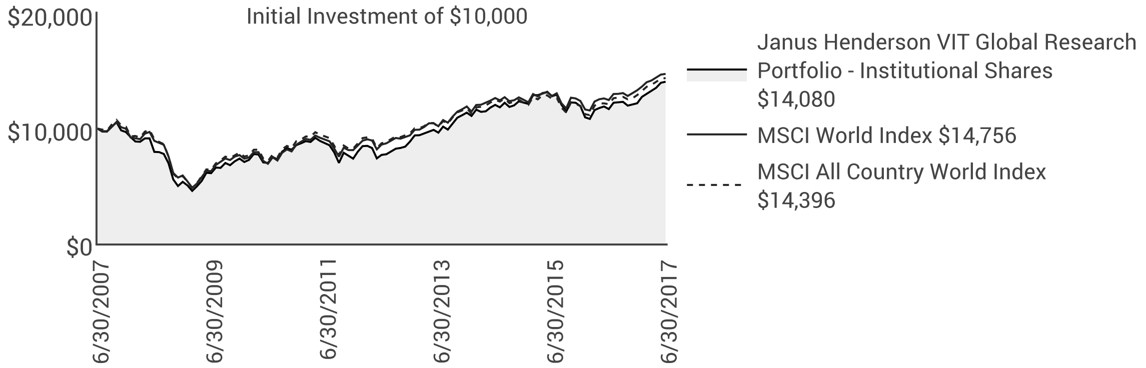
As of June 30, 2017



As of December 31, 2016



Janus Henderson VIT Global Research Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended June 30, 2017						Expense Ratios - per the May 1, 2017 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	15.38%	20.39%	12.80%	3.48%	8.18%	0.67%
Service Shares	15.22%	20.09%	12.51%	3.23%	7.90%	0.92%
MSCI World Index	10.66%	18.20%	11.38%	3.97%	6.88%	
MSCI All Country World Index	11.48%	18.78%	10.54%	3.71%	N/A**	
Morningstar Quartile - Institutional Shares	-	2nd	1st	3rd	2nd	
Morningstar Ranking - based on total returns for World Stock Funds	-	261/901	87/697	295/482	72/165	

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 877.335.2687 or visit janushenderson.com/VITperformance

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

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Returns shown do not represent actual returns since they do not include insurance charges. 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 Henderson VIT Global Research Portfolio (unaudited)
Performance

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

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

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 Henderson VIT 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 (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Beginning Account Value (1/1/17)	Ending Account Value (6/30/17)	Expenses Paid During Period (1/1/17 - 6/30/17)†	Net Annualized Expense Ratio (1/1/17 - 6/30/17)
Institutional Shares	$1,000.00	$1,153.80	$3.31	$1,000.00	$1,021.72	$3.11	0.62%
Service Shares	$1,000.00	$1,152.20	$4.64	$1,000.00	$1,020.48	$4.36	0.87%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 181/365 (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 Henderson VIT Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – 99.9%		
Aerospace & Defense – 2.8%		
General Dynamics Corp	41,939	$8,308,116
Safran SA	130,001	11,912,478
		20,220,594
Airlines – 2.1%		
Ryanair Holdings PLC (ADR)*	61,284	6,594,771
United Continental Holdings Inc*	106,968	8,049,342
		14,644,113
Banks – 8.1%		
BNP Paribas SA	131,543	9,472,971
HDFC Bank Ltd	227,284	5,849,319
ING Groep NV	434,612	7,494,508
JPMorgan Chase & Co	123,086	11,250,060
Mitsubishi UFJ Financial Group Inc	1,177,500	7,903,050
UniCredit SpA*	327,036	6,106,295
Wells Fargo & Co	166,218	9,210,139
		57,286,342
Beverages – 2.6%		
Coca-Cola Co	249,253	11,178,997
Pernod Ricard SA	56,052	7,505,307
		18,684,304
Biotechnology – 4.1%		
Amgen Inc	41,357	7,122,916
Biogen Inc*	20,505	5,564,237
Celgene Corp*	58,224	7,561,551
Shire PLC	161,109	8,891,174
		29,139,878
Building Products – 1.4%		
Assa Abloy AB	240,958	5,296,315
Geberit AG	9,593	4,475,266
		9,771,581
Capital Markets – 4.3%		
Blackstone Group LP	167,147	5,574,352
Intercontinental Exchange Inc	100,671	6,636,232
London Stock Exchange Group PLC	144,427	6,857,146
TD Ameritrade Holding Corp	170,406	7,325,754
UBS Group AG*	235,885	3,996,216
		30,389,700
Chemicals – 1.1%		
Air Products & Chemicals Inc	56,061	8,020,087
Communications Equipment – 0.5%		
CommScope Holding Co Inc*	86,158	3,276,589
Construction Materials – 0.8%		
Vulcan Materials Co	46,534	5,894,927
Consumer Finance – 1.0%		
Synchrony Financial	226,308	6,748,505
Containers & Packaging – 0.8%		
Sealed Air Corp	124,326	5,564,832
Electric Utilities – 0.7%		
Brookfield Infrastructure Partners LP	127,824	5,229,280
Electrical Equipment – 1.8%		
AMETEK Inc	108,946	6,598,859
Sensata Technologies Holding NV*	140,302	5,993,701
		12,592,560
Electronic Equipment, Instruments & Components – 2.4%		
Amphenol Corp	63,018	4,651,989
Flex Ltd*	304,363	4,964,161
Keyence Corp	17,100	7,502,347
		17,118,497

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Energy Equipment & Services – 0.7%		
Halliburton Co	117,144	$5,003,220
Equity Real Estate Investment Trusts (REITs) – 1.8%		
American Tower Corp	54,765	7,246,505
Colony Starwood Homes	166,158	5,700,881
		12,947,386
Food & Staples Retailing – 0.8%		
Costco Wholesale Corp	37,001	5,917,570
Food Products – 0.9%		
Hershey Co	56,856	6,104,629
Health Care Equipment & Supplies – 1.3%		
Boston Scientific Corp*	344,646	9,553,587
Health Care Providers & Services – 2.2%		
Aetna Inc	70,458	10,697,638
Universal Health Services Inc	40,669	4,964,872
		15,662,510
Hotels, Restaurants & Leisure – 2.9%		
McDonald's Corp	48,160	7,376,186
Merlin Entertainments PLC	617,742	3,865,262
Norwegian Cruise Line Holdings Ltd*	67,099	3,642,805
Starbucks Corp	97,742	5,699,336
		20,583,589
Household Durables – 1.8%		
Sony Corp	194,200	7,401,220
Techtronic Industries Co Ltd	1,100,000	5,058,151
		12,459,371
Independent Power and Renewable Electricity Producers – 0.7%		
NRG Energy Inc	303,618	5,228,302
Industrial Conglomerates – 2.0%		
Seibu Holdings Inc	243,900	4,504,538
Siemens AG	69,770	9,589,132
		14,093,670
Information Technology Services – 3.9%		
Amdocs Ltd	87,896	5,665,776
Mastercard Inc	79,099	9,606,574
Visa Inc	87,870	8,240,449
Worldpay Group PLC	1,083,711	4,442,491
		27,955,290
Insurance – 3.3%		
AIA Group Ltd	1,419,600	10,373,524
Progressive Corp	174,823	7,707,946
Prudential PLC	225,703	5,175,771
		23,257,241
Internet & Direct Marketing Retail – 2.7%		
Amazon.com Inc*	9,195	8,900,760
Ctrip.com International Ltd (ADR)*	80,402	4,330,452
Priceline Group Inc*	3,217	6,017,463
		19,248,675
Internet Software & Services – 3.5%		
Alibaba Group Holding Ltd (ADR)*	47,894	6,748,265
Alphabet Inc - Class C*	20,305	18,451,763
		25,200,028
Leisure Products – 0.6%		
Polaris Industries Inc	45,623	4,207,809
Life Sciences Tools & Services – 0.9%		
Thermo Fisher Scientific Inc	35,475	6,189,323
Machinery – 2.0%		
FANUC Corp	17,600	3,389,009
Illinois Tool Works Inc	49,802	7,134,136

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Machinery – (continued)		
IMI PLC	230,886	$3,592,890
		14,116,035
Media – 1.8%		
Liberty Global PLC*	140,998	4,396,318
Walt Disney Co	80,382	8,540,587
		12,936,905
Metals & Mining – 0.8%		
Rio Tinto PLC	128,746	5,435,320
Multi-Utilities – 0.8%		
National Grid PLC	466,380	5,780,481
Oil, Gas & Consumable Fuels – 6.3%		
Anadarko Petroleum Corp	116,353	5,275,445
Antero Resources Corp*	216,998	4,689,327
Canadian Natural Resources Ltd	192,864	5,566,073
Enterprise Products Partners LP	373,713	10,120,148
Suncor Energy Inc	254,433	7,435,189
TOTAL SA	234,040	11,568,898
		44,655,080
Personal Products – 3.0%		
Estee Lauder Cos Inc	108,129	10,378,221
Unilever NV	197,790	10,914,296
		21,292,517
Pharmaceuticals – 4.4%		
Allergan PLC	28,150	6,842,983
AstraZeneca PLC*	44,080	2,947,545
Eli Lilly & Co	98,120	8,075,276
Jazz Pharmaceuticals PLC*	33,551	5,217,180
Sanofi	88,661	8,480,741
		31,563,725
Professional Services – 0.8%		
Verisk Analytics Inc*	66,724	5,629,504
Road & Rail – 1.4%		
Canadian Pacific Railway Ltd	63,305	10,187,096
Semiconductor & Semiconductor Equipment – 2.5%		
ASML Holding NV	31,129	4,056,162
Intel Corp	163,661	5,521,922
Taiwan Semiconductor Manufacturing Co Ltd	1,182,000	8,102,545
		17,680,629
Software – 5.2%		
Activision Blizzard Inc	118,566	6,825,845
Adobe Systems Inc*	47,698	6,746,405
Constellation Software Inc/Canada	6,695	3,502,973
salesforce.com Inc*	85,990	7,446,734
SS&C Technologies Holdings Inc	154,442	5,932,117
Ultimate Software Group Inc*	31,477	6,612,059
		37,066,133
Specialty Retail – 0.9%		
Lowe's Cos Inc	86,553	6,710,454
Technology Hardware, Storage & Peripherals – 1.2%		
Samsung Electronics Co Ltd	4,252	8,835,566
Textiles, Apparel & Luxury Goods – 1.6%		
Cie Financiere Richemont SA	57,432	4,733,077
NIKE Inc	113,162	6,676,558
		11,409,635
Tobacco – 1.9%		
British American Tobacco PLC	193,952	13,219,236

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments (unaudited)
June 30, 2017

	Shares	Value
Common Stocks – (continued)		
Wireless Telecommunication Services – 0.8%		
T-Mobile US Inc*	91,443	$5,543,275
Total Common Stocks (cost $564,761,747)		710,255,580
Investment Companies – 0.4%		
Money Markets – 0.4%		
Janus Cash Liquidity Fund LLC, 0.9803%[∞,£] (cost $2,865,000)	2,865,000	2,865,000
Total Investments (total cost $567,626,747) – 100.3%		713,120,580
Liabilities, net of Cash, Receivables and Other Assets – (0.3)%		(1,942,657)
Net Assets – 100%		$711,177,923

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

Country	Value	% of Investment Securities
United States	$428,798,234	60.1 %
United Kingdom	60,207,316	8.4
France	48,940,395	6.9
Canada	31,920,611	4.5
Japan	30,700,164	4.3
Netherlands	22,464,966	3.2
Hong Kong	15,431,675	2.2
Switzerland	13,204,559	1.9
China	11,078,717	1.6
Germany	9,589,132	1.3
South Korea	8,835,566	1.2
Taiwan	8,102,545	1.1
Ireland	6,594,771	0.9
Italy	6,106,295	0.9
India	5,849,319	0.8
Sweden	5,296,315	0.7
Total	$713,120,580	100.0 %

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

Janus Henderson VIT Global Research Portfolio
Notes to Schedule of Investments and Other Information (unaudited)

MSCI All Country World Index[SM]	MSCI All Country World Index[SM] reflects the equity market performance of global developed and emerging markets.
MSCI World Index[SM]	MSCI World Index[SM] reflects the equity market performance of global developed markets.
S&P 500® Index	S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
ADR	American Depositary Receipt
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company

* Non-income producing security.

ºº Rate shown is the 7-day yield as of June 30, 2017.

£ 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, 2017. Unless otherwise indicated, all information in the table is for the period ended June 30, 2017.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 6/30/17*	*Realized Gain/(Loss)*	*Dividend Income*	*Value at 6/30/17*
Janus Cash Collateral Fund LLC	—	20,012,278	(20,012,278)	—	$—	$4,383[(1)]	$—
Janus Cash Liquidity Fund LLC	1,837,116	45,100,907	(44,073,023)	2,865,000	—	7,103	2,865,000
Total					$—	$11,486	$2,865,000

(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, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	***Level 2 - Other Significant Observable Inputs***	***Level 3 - Significant Unobservable Inputs***
Assets			
Investments in Securities:			
Common Stocks	$ 710,255,580	$ -	$ -
Investment Companies	-	2,865,000	-
Total Assets	$ 710,255,580	$ 2,865,000	$ -

Janus Henderson VIT Global Research Portfolio
Statement of Assets and Liabilities (unaudited)
June 30, 2017

Assets:		
Investments, at cost	$	567,626,747
Unaffiliated investments, at value		710,255,580
Affiliated investments, at value		2,865,000
Cash		24,917
Cash denominated in foreign currency[1]		92,031
Non-interested Trustees' deferred compensation		12,648
Receivables:		
Investments sold		1,251,425
Dividends		784,454
Foreign tax reclaims		314,925
Portfolio shares sold		214,262
Dividends from affiliates		1,311
Other assets		6,057
Total Assets		715,822,610
Liabilities:		
Payables:		
Investments purchased		3,861,802
Advisory fees		368,059
Portfolio shares repurchased		249,604
12b-1 Distribution and shareholder servicing fees		43,592
Transfer agent fees and expenses		33,926
Professional fees		15,119
Non-interested Trustees' deferred compensation fees		12,648
Portfolio administration fees		5,956
Non-interested Trustees' fees and expenses		3,803
Custodian fees		302
Accrued expenses and other payables		49,876
Total Liabilities		4,644,687
Net Assets	$	711,177,923
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	677,149,991
Undistributed net investment income/(loss)		2,759,662
Undistributed net realized gain/(loss) from investments and foreign currency transactions		(114,217,283)
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		145,485,553
Total Net Assets	$	711,177,923
Net Assets - Institutional Shares	$	513,649,008
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		11,017,311
Net Asset Value Per Share	$	46.62
Net Assets - Service Shares	$	197,528,915
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		4,320,275
Net Asset Value Per Share	$	45.72

(1) Includes cost of $97,046.

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2017

Investment Income:		
Dividends	$	7,460,306
Dividends from affiliates		7,103
Affiliated securities lending income, net		4,383
Other income		35
Foreign tax withheld		(388,520)
Total Investment Income		7,083,307
Expenses:		
Advisory fees		1,762,706
12b-1Distribution and shareholder servicing fees:		
Service Shares		237,636
Transfer agent administrative fees and expenses:		
Institutional Shares		123,736
Service Shares		47,527
Other transfer agent fees and expenses:		
Institutional Shares		9,516
Service Shares		2,323
Shareholder reports expense		44,848
Portfolio administration fees		31,067
Professional fees		21,170
Custodian fees		17,851
Registration fees		16,373
Non-interested Trustees' fees and expenses		6,363
Other expenses		28,174
Total Expenses		2,349,290
Net Investment Income/(Loss)		4,734,017
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		21,656,489
Total Net Realized Gain/(Loss) on Investments		21,656,489
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		71,118,813
Total Change in Unrealized Net Appreciation/Depreciation		71,118,813
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	97,509,319

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio
Statements of Changes in Net Assets

		Period ended June 30, 2017 (unaudited)		Year ended December 31, 2016
Operations:				
Net investment income/(loss)	$	4,734,017	$	7,196,717
Net realized gain/(loss) on investments		21,656,489		(8,835,260)
Change in unrealized net appreciation/depreciation		71,118,813		13,297,687
Net Increase/(Decrease) in Net Assets Resulting from Operations		97,509,319		11,659,144
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(2,875,884)		(5,169,230)
Service Shares		(948,059)		(1,761,489)
Net Decrease from Dividends and Distributions to Shareholders		(3,823,943)		(6,930,719)
Capital Share Transactions:				
Institutional Shares		(23,444,312)		(43,882,862)
Service Shares		(7,509,254)		(24,789,291)
Net Increase/(Decrease) from Capital Share Transactions		(30,953,566)		(68,672,153)
Net Increase/(Decrease) in Net Assets		62,731,810		(63,943,728)
Net Assets:				
Beginning of period		648,446,113		712,389,841
End of period	$	711,177,923	$	648,446,113
Undistributed Net Investment Income/(Loss)	$	2,759,662	$	1,849,588

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio
Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$40.63	$40.24	$41.45	$38.99	$30.74	$25.83
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.32(1)	0.45(1)	0.35(1)	0.51(1)	0.38	0.37
Net realized and unrealized gain/(loss)	5.93	0.37	(1.28)	2.39	8.29	4.79
Total from Investment Operations	6.25	0.82	(0.93)	2.90	8.67	5.16
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.26)	(0.43)	(0.28)	(0.44)	(0.42)	(0.25)
Distributions (from capital gains)	—	—	—	—	—	—
Total Dividends and Distributions	(0.26)	(0.43)	(0.28)	(0.44)	(0.42)	(0.25)
Net Asset Value, End of Period	$46.62	$40.63	$40.24	$41.45	$38.99	$30.74
Total Return*	15.38%	2.07%	(2.29)%	7.44%	28.43%	20.08%
Net Assets, End of Period (in thousands)	$513,649	$469,321	$509,494	$571,145	$588,619	$516,001
Average Net Assets for the Period (in thousands)	$498,573	$478,402	$560,660	$577,941	$550,131	$505,342
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.62%	0.65%	0.80%	0.61%	0.53%	0.55%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.62%	0.65%	0.80%	0.61%	0.53%	0.55%
Ratio of Net Investment Income/(Loss)	1.45%	1.15%	0.83%	1.27%	0.99%	1.19%
Portfolio Turnover Rate	27%	45%	50%	42%	101%	56%

Service Shares

For a share outstanding during the period ended June 30, 2017 (unaudited) and each year ended December 31	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$39.87	$39.53	$40.77	$38.40	$30.31	$25.51
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.26(1)	0.35(1)	0.24(1)	0.40(1)	0.25	0.23
Net realized and unrealized gain/(loss)	5.81	0.36	(1.26)	2.35	8.22	4.79
Total from Investment Operations	6.07	0.71	(1.02)	2.75	8.47	5.02
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.22)	(0.37)	(0.22)	(0.38)	(0.38)	(0.22)
Distributions (from capital gains)	—	—	—	—	—	—
Total Dividends and Distributions	(0.22)	(0.37)	(0.22)	(0.38)	(0.38)	(0.22)
Net Asset Value, End of Period	$45.72	$39.87	$39.53	$40.77	$38.40	$30.31
Total Return*	15.22%	1.82%	(2.53)%	7.18%	28.12%	19.77%
Net Assets, End of Period (in thousands)	$197,529	$179,125	$202,896	$214,339	$202,707	$156,774
Average Net Assets for the Period (in thousands)	$191,487	$186,563	$218,006	$209,230	$181,844	$149,451
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.87%	0.90%	1.05%	0.86%	0.78%	0.80%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.87%	0.90%	1.05%	0.86%	0.78%	0.80%
Ratio of Net Investment Income/(Loss)	1.21%	0.91%	0.57%	1.01%	0.75%	0.94%
Portfolio Turnover Rate	27%	45%	50%	42%	101%	56%

* 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 Henderson VIT Global Research Portfolio (formerly named Janus Aspen Global Research Portfolio) (the "Portfolio") is a series 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, each of which offers multiple share classes, 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, 2017 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 $178,294,389 were transferred out of Level 2 to Level 1 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. 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") of 2010 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"). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, 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.

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 (if applicable). 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, 2017.

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 based on the Portfolio's relative performance compared to the cumulative investment record of its benchmark index over a 36-month performance measurement period or shorter time period, as applicable..

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, 2017, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.52%.

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 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 some or all of the 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 $1,138 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2017. 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 Henderson 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, 2017 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, 2017 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 $206,075 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2017.

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, 2017 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, 2017, the Portfolio engaged in cross trades amounting to $425,654 in purchases and $2,806,939 in sales, resulting in a net realized loss of $1,425,120. The net realized loss is included within the "Net Realized 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.

Accumulated capital losses noted below represent net capital loss carryovers, as of December 31, 2016, 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, 2016

	No Expiration		
December 31, 2017	*Short-Term*	*Long-Term*	*Accumulated Capital Losses*
$ (127,348,296)	$(8,969,179)	$ (652,384)	$ (136,969,859)

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, 2017 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)*
$ 566,059,222	$154,542,531	$ (7,481,173)	$ 147,061,358

5. Capital Share Transactions

	Period ended June 30, 2017		*Year ended December 31, 2016*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	183,155	$ 8,110,083	330,908	$ 13,244,254
Reinvested dividends and distributions	61,189	2,875,884	129,490	5,169,230
Shares repurchased	(777,020)	(34,430,279)	(1,571,385)	(62,296,346)
Net Increase/(Decrease)	(532,676)	$(23,444,312)	(1,110,987)	$(43,882,862)
Service Shares:				
Shares sold	171,110	$ 7,381,607	311,672	$ 12,027,682
Reinvested dividends and distributions	20,570	948,059	44,979	1,761,489
Shares repurchased	(364,519)	(15,838,920)	(996,725)	(38,578,462)
Net Increase/(Decrease)	(172,839)	$ (7,509,254)	(640,074)	$(24,789,291)

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2017, 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*
$181,237,255	$ 203,443,520	$ -	$ -

7. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X is August 1, 2017. Management believes that many of the Regulation S-X amendments are consistent with the Portfolio's current financial statement presentation and will not have a significant impact on the Portfolio.

The FASB issued Accounting Standards Update No. 2017-08*, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08") to amend the amortization period for certain purchased callable debt securities held at a premium. The guidance requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impacts of ASU 2017-08 on the financial statements.

8. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. ("JCGI"), the direct parent of Janus Capital, and Henderson Group plc ("Henderson") announced that they had entered into an Agreement and Plan of Merger ("Merger Agreement") relating to the strategic combination of Henderson and JCGI (the "Merger"). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson will merge with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson.

The consummation of the Merger may be deemed to be an "assignment" (as defined in the 1940 Act) of the advisory agreement between the Portfolio and Janus Capital that is in effect as of the date of this Report. As a result, the consummation of the Merger will cause the investment advisory agreement to terminate automatically in accordance with its terms.

On December 8, 2016, the Trustees approved, subject to approval of shareholders, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger ("Post-Merger Advisory Agreement"). The Post-Merger Advisory Agreement will have substantially similar terms as the corresponding investment advisory agreement that is in effect as of the date of this Report.

Approval of Advisory Agreements

On April 18, 2017, shareholders of the Portfolio approved the Post-Merger Advisory Agreement with Janus Capital. The Post- Merger Advisory Agreement took effect upon the consummation of the Merger.

9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2017 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 1-877-335-2687 (toll free); (ii) on the Portfolio's website at janushenderson.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 janushenderson.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 Henderson at 1-877-335-2687 (toll free).

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

What follows is a discussion of the material factors and conclusions with respect thereto that formed the basis for the Trustees of Janus Aspen Series' approval of the investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, during the period. This discussion references a Transaction (as defined below) to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., which resulted in the Trustees' consideration of new investment advisory agreements for the Funds and sub-advisory agreements for the Funds, as applicable. During the period, the Trustees also approved the renewal of the existing investment advisory agreements for the Funds and the sub-advisory agreements for the Funds, as applicable, which were subsequently replaced by the new investment advisory and sub-advisory agreements at the close of the Transaction on May 30, 2017.

Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

On September 15, 2016, Janus Capital Group Inc. ("Janus") advised the Trustees of Janus Aspen Series (the "Trust"), each of whom serves as an "independent" Trustee (the "Board" or the "Trustees"), of its intent to seek a strategic combination of its advisory business with Henderson Group plc ("Henderson"). The Board met with the Chief Executive Officer of Janus, who outlined the proposed combination and the potential benefits to Janus Capital Management LLC ("Janus Capital") and each Fund of the Trust (each, a "Fund" and collectively, the "Funds").

Subsequent to the September 15, 2016 meeting, the Trustees identified a list of basic principles, which they believed should serve as the foundation for their review of the organizational, operational and strategic issues involved with any potential change in control of Janus Capital, the investment adviser to the Funds. These basic principles were communicated to Janus Capital on September 27, 2016, and were intended to be shared with Henderson. On October 3, 2016, Janus announced that it had entered into a definitive Agreement and Plan of Merger with Henderson pursuant to which Janus and Henderson agreed to effect an all-stock merger of equals strategic combination of their respective businesses, with Janus Capital surviving the merger as a direct wholly-owned subsidiary of Henderson (the "Transaction"). The Board was advised that, subject to certain conditions, the Transaction is currently expected to close during the second quarter of 2017.

As part of its due diligence, the Board developed an initial list of questions related to the proposed transaction, which was provided to Janus Capital on October 6, 2016. At a special Board meeting held on October 19, 2016, the Board considered Janus Capital's response to the initial information request and met with the management of Janus to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, addressing, among other matters, the personnel expected to provide such services, and the resources available to do so. After its October 19, 2016 meeting, the Board developed a supplemental request for additional information, which was provided to Janus Capital on October 26, 2016. At another special Board meeting held on November 7-8, 2016, the Board considered Janus Capital's response to the supplemental information request and again met with the management of Janus and Henderson to discuss the impact of the Transaction on the nature, extent and quality of services Janus Capital is expected to provide to the Janus Funds following the Transaction, and also met with various officers of the Funds and of Janus Capital including various Fund portfolio managers. After its November 7-8, 2016 meeting, the Board developed a second supplemental request for additional information, which was provided to Janus Capital on November 21, 2016. On December 7-8, 2016, the Board met to consider Janus

Capital's response to the second supplemental information request and to also consider the proposed new investment advisory agreements between the Trust, on behalf of each Fund, and Janus Capital (each, a "New Advisory Agreement" and collectively, the "New Advisory Agreements") and the new sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH Investment Management LLC ("INTECH") or Perkins Investment Management LLC ("Perkins") as sub-advisers (each, a "New Sub-Advisory Agreement" and collectively, the "New Sub-Advisory Agreements") to take effect immediately after the Transaction or shareholder approval, whichever is later. During each of these meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. Throughout the process, the Board had the assistance of its independent legal counsel, who advised them on, among other things, its duties and obligations.

In connection with the Board's review, Janus Capital provided, and the Board obtained, substantial information regarding the following matters: the management, financial position and business of Henderson; the history of Henderson's business and operations; the investment performance of the investment companies advised by Henderson; the proposed structure, operations and investment processes of the combined investment management organization after the Transaction and the strategy for operating and growing the business following the Transaction; the future plans of Janus and Henderson with respect to the Funds and any proposed changes to the operations or structure of the Funds; and the future plans of Janus and Henderson with respect to the provision of services to the Funds, and the entities providing such services, including those affiliated with Janus. The Board also received information regarding the terms of the Transaction, anticipated management of the combined organization, the resources that each of Janus and Henderson bring to the combined organization and the process being followed by Janus and Henderson to integrate their organizations. The Board also received information regarding the impact of the Transaction on each of INTECH and Perkins.

In connection with the Board's approval of New Advisory Agreements and New Sub-Advisory Agreements at its December 8, 2016 meeting, the Board also continued its on-going annual process to determine whether to continue the existing investment advisory agreements between Janus Capital and the Trust on behalf of each Fund (each, a "Current Advisory Agreement" and collectively, the "Current Advisory Agreements") and the existing sub-advisory agreements between Janus Capital and each of the Funds that utilize INTECH or Perkins as sub-advisers (each, a "Current Sub-Advisory Agreement" and collectively, the "Current Sub-Advisory Agreements"). In this regard, the Board received and reviewed information provided by Janus and the respective Sub-Advisers in response to requests of the Board and its independent legal counsel. The Board also received and reviewed information and analysis provided by, and in response to requests of, its independent fee consultant. The Board noted that as part of this annual process, the Board had considered and was in the process of considering, numerous factors, including the nature and quality of services provided by Janus Capital and each Sub-Adviser, as applicable; investment performance, on an absolute basis and relative to appropriate peer groups and one or a combination of market indices; investment management fees, expense ratios and asset sizes of the Funds and peer groups; investment management fees charged to comparable investment companies, separate accounts and non-fund clients; Janus Capital's profitability from managing the Funds; fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital; and the potential benefits to Janus Capital, the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In determining whether to approve the New Advisory Agreement for each Fund and the New Sub-Advisory Agreement for Funds managed by INTECH or Perkins in connection with the Transaction, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- The terms of the New Advisory Agreements are substantially similar to the corresponding Current Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.
- The terms of the New Sub-Advisory Agreements are substantially similar to the corresponding Current Sub-Advisory Agreements, and the contractual fee rate will not change. In this regard, see the discussion of the Board's considerations with respect to its most recent approval of the Current Sub-Advisory Agreements prior to December 8, 2016, as disclosed in each Fund's most recent prior annual or semi-annual shareholder report, as applicable.

- Janus Capital's plans for the operation of the Funds, including its plans for the continued provision of all services currently provided to the Funds by Janus Capital and its affiliates, including, among others, investment advisory services, portfolio trading services, and Fund administrative and accounting services, and the personnel and resources proposed to support the provision of such services.
- The estimated profitability to Janus Capital from managing the Funds after the Transaction, including potential economies of scale and fall-out benefits to Janus Capital from its relationship to the Funds, including revenues derived from services provided to the Funds by affiliates of Janus Capital, and the potential benefits to Janus Capital, and the Funds of receiving research services from broker/dealer firms in connection with the allocation of portfolio transactions to such firms.

In connection with its deliberations, the Board received assurances from Janus, on behalf of itself and its affiliates (collectively, "Janus") including the following:

- Janus has provided to the Board such information as it believes is reasonably necessary to evaluate the New Advisory Agreements and New Sub-Advisory Agreements.
- Janus is committed to the continuance, without interruption, of services to the Funds of at least the type and quality currently provided by Janus Capital and its affiliates, or superior thereto.
- The Transaction is not expected to affect negatively the nature, extent or quality of the investment advisory services provided by Janus Capital to the Funds following the Transaction, and the investment advisory services are expected to be at least comparable to the services being provided under the Current Advisory Agreements and Current Sub-Advisory Agreements. In this regard, the Board noted specific representations that Janus does not intend for the nature, extent or quality of investment advisory and other services to be provided to the Funds following the Transaction to change, and the extent of such services were expected to increase based on the combined resources of the combined investment management organization after the Transaction, and should the nature, extent or quality of such services decline, Janus would commit the resources needed to return such services to pre-Transaction levels.
- The Funds' current operations were expected to remain largely unchanged, except for certain fund reorganizations which will be separately considered by the Board, and such other changes as were or will be presented to the Board.
- The Transaction is not expected to result in any changes to the portfolio managers providing services to the Funds.
- After the Transaction, the distribution and marketing services provided to the Janus Funds were expected to be improved or enhanced based on the combined resources of Janus and Henderson. In this regard, Janus Capital advised the Board that after the Transaction, the extent of distribution and marketing services provided to the Janus Funds are expected to increase based on the combined resources of Janus and Henderson. This is due primarily to the anticipated increase of sales related resources and expanded global presence of the combined Janus Henderson organization, which is expected to enhance visibility and brand recognition of the Janus Henderson Funds.
- The intent of Janus Capital to take the necessary and appropriate steps to retain and attract key investment advisory personnel.
- The intent of Janus to take the necessary and appropriate steps to retain and attract key compliance, financial, fund accounting and administrative personnel supporting the management and oversight of the Funds.
- Janus is not aware of any express or implied term, condition, arrangement or understanding that would impose in its best judgement an "unfair burden" on any Fund as a result of the Transaction, as defined in Section 15(f) of the 1940 Act, and that Janus will take no action that would have the effect of imposing such an "unfair burden" on any Fund in connection with the Transaction.

Janus assured the Board that it intended to comply with Section 15(f) of the Investment Company Act of 1940, as amended. Section 15(f) provides a non-exclusive safe harbor for an investment adviser to an investment company or any of its affiliated persons to receive any amount or benefit in connection with a change in control of the investment adviser so long as two conditions are met. First, for a period of three years after the transaction, at least 75% of the

board members of the investment company must not be interested persons of such investment adviser (as defined under the 1940 Act). The composition of the Board is in compliance with this provision of Section 15(f). In addition, after careful review and consideration, the Board determined that it would be in the best interests of the Funds to add to the Board an individual who currently acts as a non-interested board member of the Henderson Trust. The Board believes that this change in the Board composition will provide perspective and insight relating to experience working with the Henderson organization. The Board's Nominating and Governance Committee considered a number of candidates and recommended that the Board nominate one proposed new trustee from those candidates who currently act as non-interested board members of the Henderson Trust. The Board approved that trustee nominee to serve on the Board, subject to election by the shareholders of the Funds and contingent on the closing of the Transaction. If the new trustee is elected and serves on the Board, the Board composition would continue to satisfy the provisions of Section 15(f).

To meet the second condition of Section 15(f), an "unfair burden" must not be imposed upon the investment company as a result of such transaction or any express or implied terms, conditions or understandings applicable thereto. The term "unfair burden" is defined in Section 15(f) to include any arrangement during the two-year period after the transaction, whereby the investment adviser, or any interested person of such adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its shareholders (other than fees for bona fide investment advisory or other services) or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than bona fide ordinary compensation as principal underwriter for such investment company).

Janus represented that it does not believe that an "unfair burden" will be placed on the Funds as a result of the Transaction. In furtherance thereof, Janus has undertaken to pay the costs of preparing and distributing proxy materials to, and of holding the meetings of, the Funds' shareholders (the "Meetings"), as well as other fees and expenses in connection with the Transaction, including the reasonable fees and expenses of legal counsel and consultants to the Funds and the Trustees. In addition, Janus has agreed, for a period of two years following the closing of the Transaction, (i) not to request any increases to advisory fees for the Funds, other than those proposed to and approved by the Board prior to the close of the Transaction, and (ii) to continue to use the current process by which expense caps are set annually for the Funds.

As a result of its review and consideration of the New Investment Advisory Agreements and New Sub-Advisory Agreements in connection with the Transaction, at a meeting on December 8, 2016, the Board voted unanimously to approve a New Investment Advisory Agreement for each Fund and a New Sub-Advisory Agreement for each Fund managed by INTECH or Perkins, and to recommend such agreements to the Funds' shareholders for their approval.

Approval of Interim Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period

In the event shareholders of a Fund do not approve such Fund's New Advisory Agreement and/or New Sub- Advisory Agreement at the Meetings prior to the closing of the Transaction, Janus Capital proposed that an interim investment advisory agreement between Janus Capital and such Fund (each, an "Interim Advisory Agreement" and collectively, the "Interim Advisory Agreements") and an interim sub-advisory agreement between Janus Capital and the applicable Sub-Adviser (each, an "Interim Sub-Advisory Agreement" and collectively, the "Interim Sub- Advisory Agreements") take effect upon the closing of the Transaction. At the December 8, 2016 meeting, the Board, all of whom are Independent Trustees, unanimously approved an Interim Advisory Agreement for each Fund and an Interim Sub-Advisory Agreement for each applicable Fund in order to assure continuity of investment advisory services to the Funds and sub-advisory services to the sub-advised Funds after the Transaction. The terms of each Interim Advisory Agreement are substantially identical to those of the applicable Current Advisory Agreement and New Advisory Agreement, except for the term and escrow provisions described below. Similarly, the terms of each Interim Sub-Advisory Agreement are substantially identical to those of the Current Sub-Advisory Agreements and New Sub-Advisory Agreements, except for the term and escrow provisions described below. The Interim Advisory Agreement and Interim Sub-Advisory Agreement will continue in effect for a term ending on the earlier of 150 days from the closing of the Transaction (the "150-day period") or when shareholders of the Fund approve the New Advisory Agreement and/or New Sub-Advisory Agreement. Pursuant to Rule 15a-4 under the 1940 Act, compensation earned by Janus Capital under an Interim Advisory Agreement and compensation earned by a Sub-Adviser under an Interim Sub-Advisory Agreement will be held in an interest-bearing escrow account. If shareholders of a Fund approve the New Advisory Agreement prior to the end of the 150-day period, the amount held in the escrow account under the Interim Advisory Agreement will be paid to Janus Capital. If shareholders of a Fund approve the New Advisory Agreement and New Sub-Advisory Agreement prior to the

end of the 150-day period, the amount held in the escrow account under the Interim Sub-Advisory Agreement will be paid to the Sub- Adviser. If shareholders of a Fund do not approve the New Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and Janus Capital will be paid the lesser of its costs incurred in performing its services under the Interim Advisory Agreement or the total amount in the escrow account, plus interest earned. If shareholders of a Fund do not approve the New Advisory Agreement and/or New Sub-Advisory Agreement prior to the end of the 150-day period, the Board will take such action as it deems to be in the best interests of the Fund, and the Sub-Adviser will be paid the lesser of its costs incurred in performing its services under the Interim Sub-Advisory Agreement or the total amount in the escrow account, plus interest earned.

Approval of an Amended and Restated Investment Advisory Agreement for Janus Henderson Research Portfolio (formerly, Janus Portfolio)

Janus Capital met with the Trustees on December 7-8, 2016, to discuss the approval of an amended and restated investment advisory agreement (the "Amended Advisory Agreement") between Janus Capital and the Trust on behalf of Janus Portfolio (for the purposes of this section, the "Fund" refers to Janus Portfolio) and other matters related to the proposed changes to the Fund's name, principal investment strategies, and portfolio management team (the "Realignment"). At the meeting, the Trustees also discussed the Amended Advisory Agreement and other matters related to the Realignment with their independent counsel in executive session. During the course of this meeting, the Trustees requested and considered such information as they deemed relevant to their deliberations. In addition, at prior meetings and during the course of this meeting the Board also considered the proposal to merge the Janus Fund, a series of Janus Investment Fund, into the Janus Research Fund, another series of Janus Investment Fund, and undertook a comprehensive process to evaluate the impact of the Transaction on the nature, quality and extent of services expected to be provided by Janus Capital to the Fund, including after the completion of the Transaction. For a fuller discussion of the Board's consideration of the approval of a new investment advisory agreement for the Fund in connection with the Transaction, see "Approval of Advisory and Sub-Advisory Agreements with Janus and Janus Affiliates during the Period" above.

At a meeting of the Board of Trustees held on December 8, 2016, the Trustees approved the Amended Advisory Agreement and other matters related to the Realignment. In determining whether to approve the Amended Advisory Agreement, and whether to recommend approval to Fund shareholders, the Board received information and made inquiries into all matters as it deemed appropriate. The Board reviewed and analyzed various factors it deemed relevant, including the following factors, among others, none of which by itself was considered dispositive:

- the terms of the Amended Advisory Agreement are substantially the same as the Current Advisory Agreement, except for the change to the advisory fee rate based on the amount of such outperformance or underperformance (the "Full Performance Rate") and cumulative investment record of the Fund's benchmark index (the "Performance Fee Benchmark");
- the estimated impact of the change to the Full Performance Rate and Performance Fee Benchmark on the amount of advisory fees to be paid by the Fund, including consideration of comparative pro forma data showing the advisory fees payable if the Amended Advisory Agreement had been in place in prior years;
- the Fund's investment team will be able to more efficiently manage the Fund's portfolio, assuming the merger of the Janus Fund into Janus Research Fund is implemented, which may also provide benefits from opportunities to aggregate trading across funds that have similar investment strategies;
- Janus Capital's belief that the Fund shareholders may benefit from the Realignment, as a result of the research- driven investment process to be implemented, which includes lower historical transaction costs and potential performance gains from securities lending as compared to the Fund's current investment approach;
- the Realignment was being proposed as part of Janus Capital's efforts to streamline its product line;
- Janus Capital's belief that the Fund would benefit from Janus Capital's operational efficiencies resulting from the merger of the Janus Fund into the Janus Research Fund and the Realignment, including a potentially more efficient and effective investment management approach providing the potential for a growing fund and improved performance after the Realignment;
- the costs of seeking approval of the Amended Advisory Agreement will be borne by Janus Capital;

- the costs incurred to reposition the Fund's portfolio in connection with the Realignment;
- the potential tax consequences of any repositioning of the Fund's portfolio as a result of the Merger; and any potential benefits of Janus Capital and its affiliates as a result of the Realignment.

Renewal of Advisory and Sub-Advisory Agreements with Janus Capital and Janus Capital Affiliates 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.

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the proposed transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which Janus Capital advised the Trustees was expected to close in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements both prior to the close of the Transaction, and afterwards, if the Transaction were not to close. If the Transaction closes, all such agreements would be replaced by new investment advisory agreements and subadvisory agreements, as applicable, for each Fund, assuming requisite Fund shareholder approvals have been obtained.

At a meeting held on January 26, 2017, 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 February 1, 2017 through February 1, 2018, 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, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, 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, 2016.
- For Janus Henderson Real Return Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Short-Term Bond Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Mid Cap Value Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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 Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Value Plus Income Fund (formerly, 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, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Income Managed Volatility Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson Asia Equity Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Life Sciences Fund (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Fund (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Overseas Fund (formerly, Janus Henderson Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Balanced Portfolio (formerly, 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, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.

- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Flexible Bond Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, 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, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. 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 Henderson Mid Cap Value Portfolio (formerly, 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, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. 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.

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 average 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 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average 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 average total expenses for its Broadridge Expense Group peers and to average 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) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; and (4) in the majority of cases, the Funds receive proportionally better pricing than the industry in relation to Janus institutional and subadvised accounts.

The Trustees considered the fees for each Fund for its fiscal year ended in 2015, 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 Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, 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 Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average 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 Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's total expenses exceeded the peer group average for both share classes. The Trustees considered that management fees for this Fund are higher than the peer group average 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 Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's total expenses were below the peer group average 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 Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Value Plus Income Fund (formerly, Perkins Value Plus Income Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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.

Mathematical Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund (formerly, INTECH Emerging Markets Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson Global Income Managed Volatility Fund (formerly, INTECH Global Income Managed Volatility Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Managed Volatility Fund (formerly, INTECH International Managed Volatility Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Managed Volatility Fund (formerly, INTECH U.S. Managed Volatility Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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.

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median 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 Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio (formerly, Janus Aspen Balanced Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Enterprise Portfolio (formerly, Janus Aspen Enterprise Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Flexible Bond Portfolio (formerly, Janus Aspen Flexible Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Forty Portfolio (formerly, Janus Aspen Forty Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen INTECH U.S. Low Volatility Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for its sole share class.
- For Janus Henderson Research Portfolio (formerly, 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 Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's total expenses were below the peer group average 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 their independent fee consultant's analysis of economies of scale in 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 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% 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 past 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 Henderson VIT 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, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson 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 Henderson VIT Global Research Portfolio
Shareholder Meeting (unaudited)

Special meetings of shareholders were held on April 6, 2017 and adjourned and reconvened on April 18, 2017 (together, the "meeting"). At the meeting, the following matters were voted on and approved by shareholders. Each vote reported represents one dollar of net asset value held on the record date for the meeting. The results of the meeting are noted below.

Proposals

1. For all Portfolios, to approve a new investment advisory agreement between the Trust, on behalf of the Portfolio, and Janus Capital Management LLC.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
649,586,924.264	317,034,596.144	13,767,075.442	30,376,675.857	0.006	361,178,347.450

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
48.806	2.119	4.676	0.000	55.601	87.778	3.812	8.410	0.000	100.000

4. To elect an additional Trustee to the Board of Trustees of the Trust. - Diane L. Wallace.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.947	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.343	90.950	9.050	0.000	0.000	100.000

Alan A. Brown, William D. Cvengros, Raudline Etienne, William F. McCalpin, Gary A. Poliner, James T. Rothe, William D. Stewart and Linda S. Wolf continue to serve as Trustees following the meeting.

5. For all Portfolios, except Global Unconstrained Bond Portfolio, to approve a proposal that would authorize the Adviser to enter into and materially amend sub-advisory agreements in the future with wholly-owned subadvisers and unaffiliated sub-advisers, with the approval of the Board of Trustees of the Trust, but without obtaining additional shareholder approval.

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
649,586,924.264	280,803,976.549	40,211,359.836	40,163,011.064	0.001	361,178,347.450

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
43.228	6.190	6.183	0.000	55.601	77.747	11.133	11.120	0.000	100.000

Knowledge. Shared

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos Knowledge. Shared.

Learn more by visiting janushenderson.com.

Janus Henderson INVESTORS

This report is submitted for the general information of shareholders of the Portfolio. It is not an offer or solicitation for the Portfolio and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

Portfolios distributed by Janus Henderson Distributors

109-24-81112 08-17

June 30, 2017

Semiannual Report

Government Money 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 Government Money Portfolio

Highlights

- Money market yields increased as the Federal Reserve raised short-term interest rates twice in the first half of 2017.
- Your portfolio slightly underperformed the Lipper Variable Annuity Underlying Money Market Funds Average in the last six months.
- With the Fed pursuing a gradual reduction of monetary accommodation, we believe our maturity stance should be short enough to give us flexibility to invest in higher-yielding securities as they become available.
- With employment gains remaining solid and inflation pressures contained, we can expect the Fed to continue its deliberate path toward higher rates—a welcome change for money market investors.

Dear Investor

Money market yields increased in the first half of 2017. The Federal Reserve raised short-term interest rates twice during the period—once in March and then again in June, as economic growth appeared sufficiently strong to lessen the accommodative monetary policies that have persisted since the 2008 financial crisis. Both of the rate hikes increased short-term rates by 25 basis points, and the Fed's target range for the fed funds rate was 1.00% to 1.25% at the end of June. These moves by the central bank helped money market yields and total returns rise above the near-0% levels where they have long been anchored.

Performance Comparison

Performance Comparison

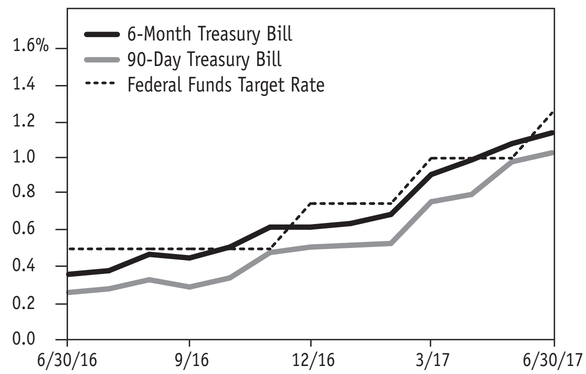
Six-Month Period Ended 6/30/17	Total Return
Government Money Portfolio	0.07%
Lipper Variable Annuity Underlying Money Market Funds Average	0.12

The Government Money Portfolio returned 0.07% in the last six months. As shown in the Performance Comparison table, the portfolio slightly underperformed the Lipper Variable Annuity Underlying Money Market Funds Average. Although the portfolio now has a narrower focus on U.S. government money market securities—a change we made as a result of the SEC's money fund reforms that took effect in October 2016—the portfolio's benchmark has not changed because it is the only category Lipper uses for money market portfolios associated with variable annuities.

Economy and Interest Rates

The U.S. economy continued to grow at a modest pace in the first half of the year. According to the Commerce Department's revised estimate, first-quarter gross domestic product grew at an annualized pace of 1.4%, and initial reports indicate that a pickup in growth is likely in the second quarter. The job market remains strong, with the unemployment rate maintaining a downward trend, although the pace of employment growth has slowed modestly. Nevertheless, we expect the Federal Reserve to raise short-term interest rates once more in 2017—possibly in September, but more likely in December.

Interest Rate Levels



Sources: Federal Reserve Board and J.P. Morgan.

The continued strong demand for Treasury securities and other government obligations drove prices higher (and yields lower) for these assets relative to other asset classes, but in absolute terms, yield levels did rise with the Fed hikes. Over the last six months, three-month Treasury bill yields rose from 0.51% to 1.03% while six-month T-bill yields increased from 0.62% to 1.14%. The overwhelming demand for these high-quality investments has kept the short end of the Treasury yield curve very flat. One-year T-bill yields rose from 0.85% to 1.24% during the first half of our fiscal year.

Portfolio Review

The portfolio's weighted average maturity was little changed over the last six months. With the Fed pursuing a gradual reduction of monetary accommodation, we believe our maturity stance as of the end of June should be short enough to give us flexibility to invest in higher-yielding securities as they become available.

Portfolio Characteristics

Periods Ended	12/31/16	6/30/17
Price Per Share	$1.00	$1.00
Dividends Per Share		
6 Months	0.000	0.001
12 Months	0.000	0.001
SEC Yield (7-day simple)*	0.00%	0.38%
SEC Yield (7-day simple)– Unsubsidized	-0.06	0.38
Weighted Average Maturity (days)	41	37
Weighted Average Life (days)	56	38

Note: The portfolio's yield more closely reflects its current earnings than does the total return.

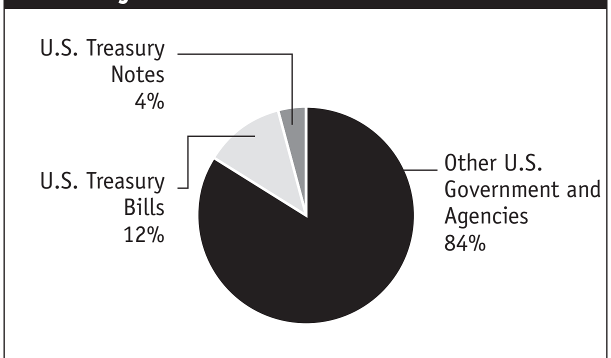
12-month dividends may not equal the combined 6-month figures due to rounding.

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 may voluntarily waive all or a portion of the management fee it is entitled to receive from the portfolio. This voluntary waiver would be 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. This fee waiver would have the effect of increasing the portfolio's 7-day yield. Please see the prospectus for more details.

The Government Money Portfolio is required to invest almost exclusively in Treasuries and other U.S. government securities. Of course, it is not subject to the liquidity fees and redemption restrictions (also known as "gates") that may be applied to nongovernment money funds during times of severe redemption activity. At the end of June, approximately 16% of portfolio assets were invested in Treasury bills and notes while other U.S. government and agency securities represented 84%.

Security Diversification



Based on net assets as of 6/30/17.

Outlook

With employment gains remaining solid and inflation pressures contained, we can expect the Fed to continue its deliberate path toward higher rates. Central bank officials have indicated that the Fed plans to begin drawing down its inflated balance sheet later this year, at which time we might see a pause in the Fed's rate increases. Still, higher short-term rates are a welcome change for money market investors after the zero-rate environment that followed the 2008 financial crisis. We remain committed to managing a high-quality, diversified portfolio focused on liquidity and stability of principal, which we deem of utmost importance to our shareholders.

As always, 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 11, 2017

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

Basis point: One one-hundredth of one percentage point, or 0.01%.

Federal 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.

Gross domestic product: The total market value of all goods and services produced in a country in a given year.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

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.

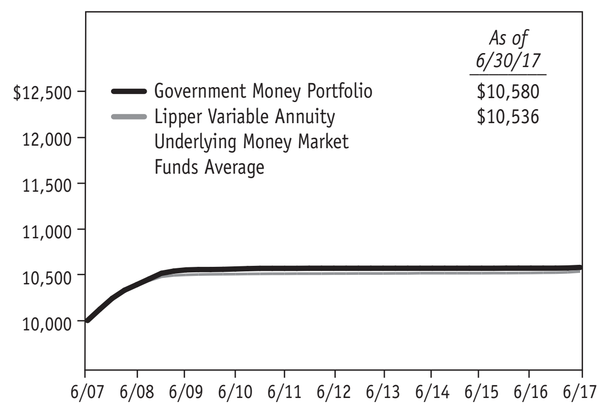
Glossary (continued)

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."

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 6/30/17	1 Year	5 Years	10 Years
Government Money Portfolio	0.07%	0.02%	0.57%

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 1/1/17	Ending Account Value 6/30/17	Expenses Paid During Period* 1/1/17 to 6/30/17
Actual	$1,000.00	$1,000.70	$2.73
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.07	2.76

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.55%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (181), and divided by the days in the year (365) 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 6/30/17		Year Ended 12/31/16		12/31/15		12/31/14		12/31/13		12/31/12
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)(3)		–(2)		–(2)		–(2)		–(2)		–(2)
Net realized and unrealized gain / loss		–(3)		–(3)		–(3)		–(3)		–(3)		–(3)
Total from investment activities		–(3)		–(3)		–(3)		–(3)		–(3)		–(3)
Distributions												
Net investment income		–(3)		–		–		–		–		–
Net realized gain		–		–		–(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

		6 Months Ended 6/30/17		Year Ended 12/31/16		12/31/15		12/31/14		12/31/13		12/31/12
Total return(4)		**0.07%(2)**		**0.00%(2)**		**0.01%(2)**		**0.00%(2)**		**0.00%(2)**		**0.00%(2)**
Ratio of total expenses to average net assets		0.55%(2)(5)		0.40%(2)		0.23%(2)		0.17%(2)		0.21%(2)		0.29%(2)
Ratio of net investment income to average net assets		0.17%(2)(5)		0.00%(2)		0.00%(2)		0.00%(2)		0.00%(2)		0.00%(2)
Net assets, end of period (in thousands)	$	32,589	$	18,880	$	17,379	$	17,905	$	19,992	$	25,088

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 5. Includes the effect of voluntary management fee waivers and operating expense reimbursements of 0.00%, 0.15%, 0.32%, 0.38%, 0.34%, and 0.26% of average net assets for the six months ended 6/30/17 and the years ended 12/31/16, 12/31/15, 12/31/14, 12/31/13, and 12/31/12, respectively.
(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, 2017 (Unaudited)

(Amounts in 000s)

	Par	$ Value
U.S. GOVERNMENT AGENCY OBLIGATIONS 84.4% (1)		
Federal Farm Credit Bank 1.05%, 10/31/17	1,000	996
Federal Home Loan Bank 0.708%, 7/28/17	250	250
Federal Home Loan Bank 0.78%, 7/14/17	1,710	1,710
Federal Home Loan Bank 0.835%, 7/12/17	2,380	2,380
Federal Home Loan Bank 0.85%, 8/30/17	250	250
Federal Home Loan Bank 0.902%, 7/26/17	900	900
Federal Home Loan Bank 0.91%, 9/22/17	300	299
Federal Home Loan Bank 0.93%, 8/7/17	1,000	999
Federal Home Loan Bank 0.944%, 7/21/17	250	250
Federal Home Loan Bank 0.95%, 10/18/17	170	169
Federal Home Loan Bank 0.975%, 7/13/17	795	795
Federal Home Loan Bank 0.975%, 8/25/17	300	299
Federal Home Loan Bank 1.00%, 12/5/17	125	124
Federal Home Loan Bank 1.01%, 7/7/17	200	200
Federal Home Loan Bank 1.01%, 7/10/17	570	570
Federal Home Loan Bank 1.025%, 7/17/17	1,860	1,859
Federal Home Loan Bank 1.03%, 7/19/17	2,000	1,999
Federal Home Loan Bank 1.04%, 7/5/17	2,100	2,100
Federal Home Loan Bank 1.05%, 7/20/17	150	150
Federal Home Loan Bank 1.05%, 9/1/17	300	299
Federal Home Loan Bank 1.055%, 8/2/17	1,223	1,221
Federal Home Loan Bank 1.075%, 8/3/17	170	170
Federal Home Loan Bank, FRN 0.902%, 8/21/17	100	100
Federal Home Loan Mortgage 0.80%, 8/2/17	250	250
Federal Home Loan Mortgage 0.91%, 8/15/17	2,500	2,497
Federal Home Loan Mortgage 0.99%, 9/6/17	250	249
Federal National Mortgage Assn., 0.83%, 7/12/17	260	260
Federal National Mortgage Assn., 0.87%, 7/3/17	5,500	5,500
Federal National Mortgage Assn., 0.87%, 8/2/17	550	550
Federal National Mortgage Assn., 0.875%, 8/28/17	115	115
Total U.S. Government Agency Obligations (Cost $27,510)		**27,510**
U.S. TREASURY DEBT 15.7%		
U.S. Treasury Bills 0.589%, 7/13/17	330	330
U.S. Treasury Bills 0.598%, 7/20/17	280	280
U.S. Treasury Bills 0.623%, 8/3/17	200	200
U.S. Treasury Bills 0.628%, 8/10/17	225	225
U.S. Treasury Bills 0.63%, 7/6/17	300	300
U.S. Treasury Bills 0.905%, 8/17/17	1,000	999
U.S. Treasury Bills 0.91%, 10/5/17	200	199
U.S. Treasury Bills 1.113%, 12/21/17	1,318	1,311
U.S. Treasury Notes 2.75%, 2/28/18	700	707
U.S. Treasury Notes, FRN 1.08%, 7/31/17	250	250
U.S. Treasury Notes, FRN 1.171%, 10/31/17	300	300
Total U.S. Treasury Debt (Cost $5,101)		**5,101**

	$ Value
(Amounts in 000s)	
Total Investments in Securities	
100.1% of Net Assets (Cost $32,611)	**$ 32,611**

‡ 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.

FRN Floating-Rate Note

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

Statement of Assets and Liabilities

T. Rowe Price Government Money Portfolio
June 30, 2017 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $32,611)	$	32,611
Receivable for shares sold		19
Cash		12
Interest receivable		8
Other assets		1
Total assets		32,651
Liabilities		
Investment management and administrative fees payable		34
Payable for shares redeemed		28
Total liabilities		62
NET ASSETS	**$**	**32,589**
Net Assets Consist of:		
Paid-in capital applicable to 32,570,995 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		32,589
NET ASSETS	**$**	**32,589**
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 6/30/17
Investment Income (Loss)	
Interest income	$ 84
Investment management and administrative expense	64
Net investment income	20
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 20**

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 6/30/17	Year Ended 12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 20	$ –
Distributions to shareholders		
Net investment income	(20)	–
Capital share transactions*		
Shares sold	17,468	12,258
Distributions reinvested	20	–
Shares redeemed	(3,779)	(10,757)
Increase in net assets from capital share transactions	13,709	1,501
Net Assets		
Increase during period	13,709	1,501
Beginning of period	18,880	17,379
End of period	**$ 32,589**	**$ 18,880**
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) is a diversified, open-end management investment company established by the corporation. 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. The fund intends to operate as a government money market fund and 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. Income distributions are declared daily and paid monthly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

New Accounting Guidance In October 2016, the Securities and Exchange Commission (SEC) issued a new rule, *Investment Company Reporting Modernization*, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements related to periods ending on or after August 1, 2017; adoption will have no effect on the fund's net assets or results of operations.

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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC. 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. 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. The T. Rowe Price Valuation Committee (the Valuation Committee) is an internal committee that has been delegated certain responsibilities 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, 2017, all of the fund's financial instruments were classified as Level 2 in the fair value hierarchy.

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.

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.

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, 2017, the cost of investments for federal income tax purposes was $32,611,000.

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 0.55% 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 other non-recurring expenses permitted by the investment management agreement 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, 2017, expenses waived/repaid totaled less than $1,000.

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, 2017, 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

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

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In that regard, at an in-person meeting held on March 6–7, 2017 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

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 took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2016, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider 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 fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price 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.

Approval of Investment Management Agreement (continued)

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. 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.

Fees and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and nonmanagement expenses of the fund to a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and nonmanagement expenses of the fund to a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Advisor after paying the fund's operating expenses, as well as any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fourth quintile (Expense Group), the fund's actual management fee rate ranked in the fifth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the third quintile (Expense Group) and fourth quintile (Expense Universe).

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 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).

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T. Rowe Price®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

201708-229574

E306-051 8/17

June 30, 2017

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 Treasury yields rose during the period, building on their postelection rally as the Federal Reserve raised rates and weighed options to reduce the size of its balance sheet.
- The Limited-Term Bond Portfolio outperformed the Bloomberg Barclays 1–3 Year U.S Government/Credit Bond Index during the period but underperformed the Lipper peer group average.
- We increased our exposure to corporate bonds and mortgage-backed securities and reduced our exposure to asset-backed and commercial mortgage-backed securities during the six-month period.
- While the backdrop for U.S. corporate credit remains constructive—buoyed by decent earnings and expectations for economic growth—the lack of clarity about the Trump administration's proposed policy changes has left investors with a significant degree of uncertainty about the direction of the U.S. economy and various sectors of the market.

The views and opinions in this report were current as of June 30, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

Short-term Treasury prices fell during the period, adding to their postelection losses as the Federal Reserve raised rates and weighed options to begin reducing its balance sheet. We continued adding to corporate credit given the possibility that economic growth may get a boost from increased spending and deregulation promised by the Trump administration. In turn, our allocation to corporate bonds helped your portfolio outperform its benchmark.

Performance

Performance Comparison

Six-Month Period Ended 6/30/17	Total Return
Limited-Term Bond Portfolio	0.92%
Limited-Term Bond Portfolio–II	0.80
Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index	0.72
Lipper Variable Annuity Underlying Short-Intermediate Investment Grade Debt Funds Average	1.22

Your portfolio returned 0.92% during the six months ended June 30, 2017, outperforming its benchmark, the Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index, which returned 0.72%. The portfolio underperformed the 1.22% return for our Lipper peer group average. (Performance for the Portfolio–II was slightly lower, reflecting its different expense ratio.)

The portfolio's net asset value ended the reporting period at $4.85, up from $4.84 at the end of 2016. Dividends contributed $0.03 per share during the six-month period.

Key Statistics

Periods Ended	12/31/16	6/30/17
Limited-Term Bond Portfolio		
Price Per Share	$4.84	$4.85
Dividends Per Share		
6 Months	0.03	0.03
12 Months	0.07	0.07
SEC Yield (30-day)	1.07%	1.25%
Limited-Term Bond Portfolio–II		
Price Per Share	$4.82	$4.83
Dividends Per Share		
6 Months	0.03	0.03
12 Months	0.05	0.06
SEC Yield (30-day)	0.82%	1.00%
Weighted Average Maturity (years)	2.0	2.0
Weighted Average Effective Duration (years)	1.8	1.9

12-month dividends may not equal the combined 6-month figures due to rounding.

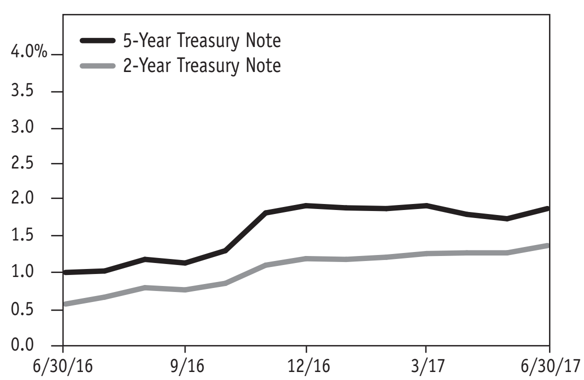
Economy and Interest Rates

After growing 1.6% in 2016, U.S. gross domestic product (GDP) growth slowed to a 1.4% annual pace in the first three months of 2017, according to the Commerce Department. While first-quarter growth was weak, the underlying trend of moderate U.S. economic expansion seemed to remain in place. The pace of employment growth moderated compared with the last few years as the unemployment rate declined, but the labor market remained strong. Citing an improving labor market, the Federal Reserve raised interest rates by 25 basis points in March and again in June. The range for the federal funds target rate is now 1.00% to 1.25%. The Fed also put markets on alert, announcing plans it was weighing options to reduce the size of its balance sheet by ceasing to reinvest the proceeds of maturing bonds.

The Treasury yield curve flattened during the period with yields on short-term Treasuries rising as the Fed increased rates and hinted it would begin to shrink its balance sheet. Meanwhile, yields on intermediate- and longer-term Treasury yields decreased slightly during the period as U.S. political turmoil and geopolitical risks boosted demand for safe-haven securities. U.S. Treasury yields had been climbing higher since mid-2016 amid expectations of accelerating inflation and economic growth, stemming from Donald Trump's campaign proposals to cut taxes and increase infrastructure spending. The yield on the two-year Treasury note began the six-month period at 1.20% and finished at 1.38%, whereas the yield on the five-year Treasury note began at 1.93% and ended at 1.89%. (Bond prices and yields move in opposite directions.)

Companies looking to take advantage of historically low rates issued investment-grade debt at a record pace. However, technical conditions remained healthy, with strong demand, especially from foreign buyers, absorbing the supply. Corporate bonds outpaced U.S. Treasuries of similar maturities during the "risk on" environment of the period. Asset-backed securities (ABS) and mortgage-backed securities (MBS) gained modestly. While ABS were supported by strong consumer fundamentals, uncertainty about the Fed's plans for winding down its holdings of MBS weighed on that sector.

Interest Rate Levels



Source: Federal Reserve Board.

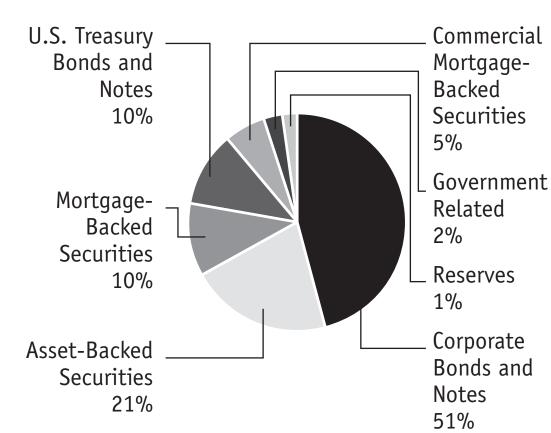
Portfolio Review

We saw continued high demand for corporate bonds from yield-hungry investors as well as an increased level of risk tolerance in the wake of the U.S. elections. Our strategic underweight to U.S. Treasuries and corresponding overweight to investment-grade corporate debt benefited results in this environment. Typically, we underweight lower-yielding Treasury securities and overweight investment-grade corporates for their incremental yield advantage. We also hold out-of-benchmark exposure in the securitized sector, which benefited from the strength in the consumer and housing markets during the period.

Our exposure to securities with a yield advantage over Treasuries is near all-time highs, with corporate debt composing 51% of the portfolio and securitized debt accounting for 36% as of the end of the reporting period. To take advantage of the growing risk tolerance, we steadily increased our exposure to short-duration BBB rated corporate debt over the period. This combination of lower-quality but shorter-duration debt enabled us to earn a higher yield but gave us needed protection to withstand any new rounds of risk-related selling. It also helped reduce interest-rate risk and enhance liquidity.

Our position in bonds issued by **Invista Finance**, a large maker of fabrics, polymers, and chemicals, was a top contributor as a strengthening U.S. economy increased demand for its products. We also benefited from several positions in financial services companies, including **Discover Financial Services** and **Barclays Bank**, which have performed well on hopes of deregulation and tax reform. They are also high-quality names with solid fundamentals. (Please refer to the portfolio of investments for a complete list of the holdings and the amount each represents in the portfolio.)

Sector Diversification



Based on net assets as of 6/30/17.

Our duration positioning contributed slightly to results. The portfolio ended the period with a duration of 1.90 years, slightly shorter than the benchmark's 1.94 year duration. We expect this defensive duration stance to benefit the portfolio in a rising-rate environment.

While we are primarily a cash bond manager, we occasionally employ the limited use of derivatives in our strategy for hedging purposes. Derivatives may include futures, options, and interest-only mortgages, as well as credit-default and interest-rate swaps.

Quality Diversification

	Percent of Net Assets	
	12/31/16	6/30/17
Quality Rating		
U.S. Government Agency Securities*	8%	7%
U.S. Treasury**	9	10
AAA	27	22
AA	6	7
A	16	17
BBB	29	33
BB and Below	4	3
Reserves	1	1
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

We believe that the Fed will continue to tighten monetary policy at a gradual pace to ensure that it does not derail the economic expansion and that it will clearly telegraph its moves to investors. While the backdrop for U.S. corporate credit remains constructive—buoyed by decent earnings and expectations for economic growth—the lack of clarity about the Trump administration's proposed policy changes has left investors with a significant degree of uncertainty about the direction of the U.S. economy and various sectors of the market. We will watch for developments in these areas as we seek clues about the stage of the credit cycle and potential risk-off events. As always, we strive to find value and seek out securities offering reasonable yields without taking on an inordinate level of risk. We remain committed to a risk-conscious, fundamentally based investment approach and long-term perspective.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Michael Reinartz
President and chairman of the portfolio's Investment Advisory Committee

July 17, 2017

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 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

Bloomberg 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 portfolio'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.

Gross domestic product: The total market value of all goods and services produced in a country in a given year.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

Glossary (continued)

SEC yield (30-day): A method of calculating a portfolio's yield that assumes all portfolio securities are held until maturity. Yield will vary and is not guaranteed.

Weighted average maturity: A measure of a portfolio's interest rate sensitivity. In general, the longer the average maturity, the greater the portfolio'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 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."

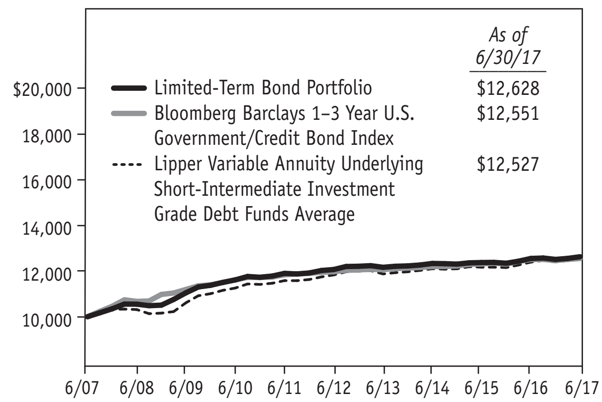
Performance and Expenses

T. Rowe Price Limited-Term Bond 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.

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 6/30/17	1 Year	5 Years	10 Years
Limited-Term Bond Portfolio	0.59%	0.91%	2.36%
Limited-Term Bond Portfolio–II	0.35	0.67	2.05

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 1/1/17	Ending Account Value 6/30/17	Expenses Paid During Period* 1/1/17 to 6/30/17
Limited-Term Bond Portfolio			
Actual	$1,000.00	$1,009.20	$3.49
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.32	3.51
Limited-Term Bond Portfolio–II			
Actual	1,000.00	1,008.00	4.73
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.08	4.76

*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 (181), and divided by the days in the year (365) 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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 4.84	$ 4.84	$ 4.88	$ 4.91	$ 4.98	$ 4.97
Investment activities						
Net investment income[(1)]	0.03	0.05	0.04	0.05	0.06	0.08
Net realized and unrealized gain / loss	0.01	0.02	(0.02)	(0.02)	(0.05)	0.04
Total from investment activities	0.04	0.07	0.02	0.03	0.01	0.12
Distributions						
Net investment income	(0.03)	(0.07)	(0.06)	(0.06)	(0.08)	(0.10)
Net realized gain	–	–	–	–	–[(2)]	(0.01)
Total distributions	(0.03)	(0.07)	(0.06)	(0.06)	(0.08)	(0.11)
NET ASSET VALUE						
End of period	**$ 4.85**	**$ 4.84**	**$ 4.84**	**$ 4.88**	**$ 4.91**	**$ 4.98**

Ratios/Supplemental Data

Total return[(3)]	**0.92%**	**1.37%**	**0.31%**	**0.64%**	**0.13%**	**2.47%**
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	1.21%[(4)]	1.05%	0.82%	1.00%	1.12%	1.63%
Portfolio turnover rate	26.6%	58.0%	89.2%	117.0%	52.4%	64.3%
Net assets, end of period (in thousands)	$ 398,906	$ 390,964	$ 420,125	$ 261,935	$ 168,117	$ 156,343

(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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 4.82	$ 4.82	$ 4.86	$ 4.89	$ 4.96	$ 4.94
Investment activities						
Net investment income[1]	0.02	0.04	0.03	0.04	0.03	0.08
Net realized and unrealized gain / loss	0.02	0.01	(0.03)	(0.02)	(0.04)	0.04
Total from investment activities	0.04	0.05	–	0.02	(0.01)	0.12
Distributions						
Net investment income	(0.03)	(0.05)	(0.04)	(0.05)	(0.06)	(0.09)
Net realized gain	–	–	–	–	–[2]	(0.01)
Total distributions	(0.03)	(0.05)	(0.04)	(0.05)	(0.06)	(0.10)
NET ASSET VALUE						
End of period	**$ 4.83**	**$ 4.82**	**$ 4.82**	**$ 4.86**	**$ 4.89**	**$ 4.96**

Ratios/Supplemental Data

Total return[3]	**0.80%**	**1.12%**	**0.06%**	**0.39%**	**(0.12)%**	**2.43%**
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	0.99%[4]	0.77%	0.62%	0.81%	0.65%	1.53%
Portfolio turnover rate	26.6%	58.0%	89.2%	117.0%	52.4%	64.3%
Net assets, end of period (in thousands)	$ 8,885	$ 9,979	$ 11,043	$ 8,224	$ 4,824	$ 2,258

(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, 2017 (Unaudited)

(Amounts in 000s)

	Par/Shares	$ Value
CORPORATE BONDS 49.0%		
Financial Institutions 19.7%		
Banking 14.6%		
ABN Amro Funding 2.10%, 1/18/19 (1)	1,170	1,171
American Express Credit 2.20%, 3/3/20	1,030	1,036
Banco de Credito del Peru 2.25%, 10/25/19 (1)	200	201
Banco Santander, VR 2.718%, 4/11/22	600	618
Bank of America 1.70%, 8/25/17	700	700
Bank of America 1.75%, 6/5/18	2,455	2,460
Bank of America 2.503%, 10/21/22	435	428
Bank of America 2.625%, 4/19/21	535	536
Bank of America 5.625%, 7/1/20	285	312
Bank of America 5.65%, 5/1/18	235	242
Bank of America, VR 2.316%, 1/20/23	995	1,004
Bank of Tokyo-Mitsubishi UFJ 2.15%, 9/14/18 (1)	1,010	1,012
Banque Federale Credit Mutuel 2.00%, 4/12/19 (1)	690	690
Banque Federale Credit Mutuel 2.50%, 10/29/18 (1)	435	438
Barclays, VR 2.78%, 1/10/23	875	892
Barclays Bank 6.05%, 12/4/17 (1)	1,055	1,073
BB&T, VR 2.106%, 6/15/18	405	407
BPCE 1.625%, 1/26/18	695	694
BPCE 2.50%, 12/10/18	1,435	1,444
BPCE, VR 2.392%, 5/22/22 (1)	400	403
Capital One National Association 1.65%, 2/5/18	715	714
Capital One National Association 1.85%, 9/13/19	1,040	1,032
Capital One National Association 2.35%, 1/31/20	280	280
Citigroup 1.55%, 8/14/17	475	475
Citigroup 1.80%, 2/5/18	1,500	1,501
Citigroup 1.85%, 11/24/17	1,085	1,086
Citigroup 2.90%, 12/8/21	990	999
Citigroup, VR 1.945%, 1/10/20	1,005	1,011
Citizens Bank 2.25%, 3/2/20	455	454
Citizens Bank 2.45%, 12/4/19	250	252
Citizens Bank 2.50%, 3/14/19	925	930
Citizens Bank 2.55%, 5/13/21	390	390
Danske Bank 2.20%, 3/2/20 (1)	915	916
Discover Bank 2.00%, 2/21/18	250	250
Discover Bank 7.00%, 4/15/20	1,305	1,452
Goldman Sachs 6.15%, 4/1/18	2,845	2,936
Goldman Sachs, VR 2.277%, 4/26/22	750	754
HSBC Bank, VR 1.822%, 5/15/18 (1)	380	381
HSBC Holdings 2.65%, 1/5/22	470	468
Huntington National Bank 2.20%, 11/6/18	995	997
Huntington National Bank 2.375%, 3/10/20	1,020	1,024
ING Groep, VR 2.445%, 3/29/22	480	487
JPMorgan Chase 2.25%, 1/23/20	800	802
JPMorgan Chase, VR 1.771%, 3/9/21	990	987

(Amounts in 000s)	Par/Shares	$ Value
JPMorgan Chase, VR 2.383%, 10/24/23	575	583
Merrill Lynch 6.40%, 8/28/17	415	418
Merrill Lynch 6.875%, 4/25/18	185	193
Mistubishi UFJ Financial Group, VR 2.092%, 2/22/22	570	574
Mizuho Bank 1.70%, 9/25/17 (1)	490	490
Morgan Stanley 2.125%, 4/25/18	2,000	2,007
Morgan Stanley, VR 2.003%, 1/24/19	1,960	1,974
Morgan Stanley, VR 2.436%, 4/25/18	435	439
National Australia Bank 1.875%, 7/23/18	1,315	1,319
National Bank of Canada 1.45%, 11/7/17	1,205	1,205
Nationwide Building Society 2.35%, 1/21/20 (1)	400	402
Nordea Bank 1.875%, 9/17/18 (1)	1,040	1,041
Regions Bank 2.25%, 9/14/18	455	455
Regions Bank 7.50%, 5/15/18	250	262
Santander 2.00%, 8/24/18	1,345	1,346
Santander Bank 8.75%, 5/30/18	285	302
Skandinaviska Enskilda Banken 1.50%, 9/13/19	1,065	1,053
Standard Chartered 1.50%, 9/8/17 (1)	605	605
Standard Chartered 2.10%, 8/19/19 (1)	280	279
Sumitomo Mitsui Banking 1.762%, 10/19/18	295	295
Sumitomo Mitsui Banking 1.95%, 7/23/18	500	501
Sumitomo Mitsui Trust Bank 1.80%, 3/28/18 (1)	1,010	1,010
SunTrust Banks 2.35%, 11/1/18	200	201
Swedbank 1.75%, 3/12/18 (1)	770	771
Toronto-Dominion Bank 1.75%, 7/23/18	1,050	1,054
Toronto-Dominion Bank 1.95%, 1/22/19	1,005	1,010
Toronto-Dominion Bank, VR 1.722%, 4/30/18	355	356
UBS Group Funding Jersey 2.95%, 9/24/20 (1)	1,015	1,036
UBS Group Funding Switzerland, VR 2.406%, 5/23/23 (1)	975	987
Wells Fargo, VR 2.263%, 1/24/23	1,115	1,124
		59,631
Brokerage Asset Managers Exchanges 0.1%		
CBOE Holdings 1.95%, 6/28/19	410	410
Legg Mason 2.70%, 7/15/19	45	45
		455
Finance Companies 0.8%		
Aercap Ireland Capital Limited 3.50%, 5/26/22	150	154
Aercap Ireland Capital Limited 3.95%, 2/1/22	785	818
Air Lease 2.125%, 1/15/18	270	270
Air Lease 2.125%, 1/15/20	890	886
GATX 2.375%, 7/30/18	640	643
GATX 2.50%, 7/30/19	160	161
GATX 2.60%, 3/30/20	580	586
		3,518
Insurance 2.8%		
Aetna 1.50%, 11/15/17	250	250
AIA Group 2.25%, 3/11/19 (1)	200	200
Anthem 2.30%, 7/15/18	775	779
Aon 2.80%, 3/15/21	970	968
CNA Financial 6.95%, 1/15/18	200	205

(Amounts in 000s)	Par/Shares	$ Value
CNA Financial 7.35%, 11/15/19	335	374
Humana 2.625%, 10/1/19	745	751
Marsh & McLennan Companies 2.55%, 10/15/18	170	172
MetLife Global Funding I 1.50%, 1/10/18 (1)	1,250	1,249
Pricoa Global Funding I 1.90%, 9/21/18 (1)	1,360	1,362
Principal Life Global Funding II 1.50%, 9/11/17 (1)	200	200
Principal Life Global Funding II 1.50%, 4/18/19 (1)	415	412
Principal Life Global Funding II 2.20%, 4/8/20 (1)	1,545	1,545
Provident 7.00%, 7/15/18	175	184
Reinsurance Group of America 6.45%, 11/15/19	210	229
Trinity Acquisition 3.50%, 9/15/21	255	261
UnitedHealth Group 1.45%, 7/17/17	1,540	1,540
XLIT 2.30%, 12/15/18	585	587
		11,268
Real Estate Investment Trusts 1.4%		
American Campus Communities Operating Partnership 3.35%, 10/1/20	700	718
Brixmor Operating Partnership 3.875%, 8/15/22	115	118
DDR 4.75%, 4/15/18	340	347
Kimco Realty 6.875%, 10/1/19	300	330
Simon Property Group 2.35%, 1/30/22	440	435
Ventas Realty 2.00%, 2/15/18	500	501
Ventas Realty 4.00%, 4/30/19	85	87
VEREIT Operating Partnership 3.00%, 2/6/19	1,730	1,749
WEA Finance 1.75%, 9/15/17 (1)	200	200
WEA Finance 2.70%, 9/17/19 (1)	1,110	1,116
		5,601
Total Financial Institutions		**80,473**
Industrial 26.1%		
Basic Industry 2.7%		
Ecolab 1.55%, 1/12/18	1,355	1,354
Ecolab 2.00%, 1/14/19	690	692
GoldCorp 2.125%, 3/15/18	725	725
International Paper 7.95%, 6/15/18	1,695	1,792
Invista Finance 4.25%, 10/15/19 (1)	1,005	1,028
LyondellBasell Industries 5.00%, 4/15/19	270	282
LyondellBasell Industries 6.00%, 11/15/21	415	470
Sherwin Williams 1.35%, 12/15/17	1,845	1,845
Sherwin Williams 2.25%, 5/15/20	2,010	2,014
Solvay Finance 3.40%, 12/3/20 (1)	705	728
		10,930
Capital Goods 1.4%		
Fortive 1.80%, 6/15/19	105	104
Harris 1.999%, 4/27/18	1,140	1,142
Martin Marietta Material, VR 1.822%, 5/22/20	215	216
Rockwell Collins 1.95%, 7/15/19	300	301
Roper Industries 2.05%, 10/1/18	1,935	1,939
Roper Technologies 2.80%, 12/15/21	305	307
Roper Technologies 3.00%, 12/15/20	150	153
Stanley Black & Decker 1.622%, 11/17/18	1,150	1,147

(Amounts in 000s)	Par/Shares	$ Value
Vulcan Materials, VR 1.846%, 6/15/20	520	520
		5,829
Communications 3.2%		
AT&T 2.30%, 3/11/19	1,075	1,081
BellSouth, STEP 4.285%, 4/26/21 (1)	2,145	2,184
Charter Communications Operating 3.579%, 7/23/20	920	950
Charter Communications Operating 4.464%, 7/23/22	445	475
Crown Castle International 2.25%, 9/1/21	385	379
Crown Castle International 3.40%, 2/15/21	600	616
Crown Castle Towers 6.113%, 1/15/40 (1)	1,190	1,283
Interpublic Group of Companies 2.25%, 11/15/17	1,060	1,063
Omnicom Group 4.45%, 8/15/20	500	531
S&P Global 2.50%, 8/15/18	125	126
SBA Tower Trust 2.24%, 4/9/43 (1)	215	215
SBA Tower Trust 2.898%, 10/11/44 (1)	1,640	1,648
SBA Tower Trust 3.598%, 4/15/18 (1)	180	180
Telefonica Emisiones 3.192%, 4/27/18	520	526
Time Warner Cable 6.75%, 7/1/18	425	445
Time Warner Cable 8.25%, 4/1/19	1,180	1,301
		13,003
Consumer Cyclical 4.6%		
Alibaba Group Holding 2.50%, 11/28/19	1,480	1,492
AutoZone 1.625%, 4/21/19	125	124
Bestgain Real Estate 2.625%, 3/13/18	1,625	1,627
Brinker International 2.60%, 5/15/18	760	761

(Amounts in 000s)	Par/Shares	$ Value
CVS Caremark 1.90%, 7/20/18	1,860	1,865
Daimler Finance North America 1.65%, 3/2/18 (1)	510	510
Daimler Finance North America 1.75%, 10/30/19 (1)	705	699
Daimler Finance North America 2.375%, 8/1/18 (1)	745	749
Daimler Finance North America, VR 2.03%, 8/1/18 (1)	295	297
Delphi Automotive 3.15%, 11/19/20	760	777
eBay 2.15%, 6/5/20	540	540
Ford Motor Credit 1.684%, 9/8/17	490	490
Ford Motor Credit 2.021%, 5/3/19	430	428
Ford Motor Credit 2.375%, 1/16/18	200	201
Ford Motor Credit 2.551%, 10/5/18	905	911
General Motors Financial 3.10%, 1/15/19	145	147
General Motors Financial 4.75%, 8/15/17	1,645	1,651
GLP Capital 4.375%, 11/1/18	400	409
Hyundai Capital America 1.75%, 9/27/19 (1)	495	488
Hyundai Capital America 2.00%, 7/1/19 (1)	350	347
Hyundai Capital America 2.50%, 3/18/19 (1)	1,105	1,107
Hyundai Capital Services 3.50%, 9/13/17 (1)	200	201
JD.com 3.125%, 4/29/21	1,040	1,041
Nissan Motor Acceptance 1.55%, 9/13/19 (1)	525	518
Nissan Motor Acceptance 1.95%, 9/12/17 (1)	825	825
QVC 3.125%, 4/1/19	641	648
		18,853

(Amounts in 000s)	Par/Shares	$ Value
Consumer Non-Cyclical 6.4%		
Abbott Laboratories 2.35%, 11/22/19	1,680	1,693
Abbott Laboratories 2.90%, 11/30/21	725	733
AbbVie 1.80%, 5/14/18	910	911
AbbVie 2.30%, 5/14/21	640	638
Agilent Technologies 6.50%, 11/1/17	69	70
Allergan Funding 2.35%, 3/12/18	1,080	1,084
Anheuser-Busch InBev Finance 1.90%, 2/1/19	1,700	1,703
Baxalta 2.00%, 6/22/18	95	95
Baxalta, VR 2.067%, 6/22/18	420	422
Becton Dickinson 2.404%, 6/5/20	785	786
Becton Dickinson 2.675%, 12/15/19	760	769
Biogen Idec 2.90%, 9/15/20	445	454
Bunge Limited Finance 3.50%, 11/24/20	380	389
Bunge Limited Finance 8.50%, 6/15/19	70	78
Catholic Health Initiatives 1.60%, 11/1/17	50	50
Catholic Health Initiatives 2.60%, 8/1/18	230	231
Celgene 1.90%, 8/15/17	1,000	1,001
Celgene 2.30%, 8/15/18	1,610	1,619
Danone 1.691%, 10/30/19 (1)	1,655	1,638
Express Scripts Holding 2.25%, 6/15/19	115	115
Express Scripts Holding 3.30%, 2/25/21	175	179
HCA 3.75%, 3/15/19	790	806
Imperial Tobacco Finance 2.05%, 2/11/18 (1)	1,710	1,710
Imperial Tobacco Finance 2.05%, 7/20/18 (1)	220	220
Kroger 1.50%, 9/30/19	184	181
Kroger 2.30%, 1/15/19	185	186
Mead Johnson Nutrition 3.00%, 11/15/20	220	226
Medco Health Solutions 4.125%, 9/15/20	515	539
Newell Rubbermaid 2.05%, 12/1/17	510	511
Newell Rubbermaid 2.15%, 10/15/18	945	948
Newell Rubbermaid 2.60%, 3/29/19	233	235
Reynolds American 2.30%, 6/12/18	425	427
Reynolds American 8.125%, 6/23/19	265	296
Shire Acquisition Investments Ireland 1.90%, 9/23/19	1,915	1,905
Teva Pharmaceutical Finance III 1.40%, 7/20/18	1,050	1,047
Teva Pharmaceutical Finance III 1.70%, 7/19/19	913	905
Teva Pharmaceutical Finance III 2.20%, 7/21/21	810	794
Whirlpool 1.65%, 11/1/17	240	240
		25,834
Energy 3.3%		
Canadian Natural Resources 1.75%, 1/15/18	395	395
Columbia Pipeline Group 2.45%, 6/1/18	255	256
ConocoPhillips 1.05%, 12/15/17	540	539
ConocoPhillips 5.20%, 5/15/18	115	118
DCP Midstream Operating 2.50%, 12/1/17	465	464
EnCana 6.50%, 5/15/19	105	112
Energy Transfer Partners 6.70%, 7/1/18	130	136

(Amounts in 000s)	Par/Shares	$ Value
Enterprise Products Operations 2.55%, 10/15/19	15	15
ExxonMobil, VR 1.593%, 3/6/22	1,395	1,408
Kinder Morgan Energy Partners 5.95%, 2/15/18	405	415
Kinder Morgan Finance 6.00%, 1/15/18 (1)	500	511
Marathon Oil 6.00%, 10/1/17	1,030	1,040
Murphy Oil, STEP 3.50%, 12/1/17	2,540	2,549
ONEOK Partners 3.20%, 9/15/18	1,125	1,138
Panhandle Eastern Pipeline 6.20%, 11/1/17	85	86
Phillips 66, VR 1.784%, 4/15/19 (1)	350	351
Plains All American Pipeline 6.50%, 5/1/18	1,320	1,369
Sabine Pass Liquefaction 5.625%, 2/1/21	675	735
Spectra Energy Partners 2.95%, 9/25/18	810	819
Tesoro Logistics 4.25%, 10/1/17	435	436
Valero Energy 9.375%, 3/15/19	335	375
		13,267
Industrial Other 0.3%		
Hutchinson Whampoa Finance 1.625%, 10/31/17 (1)	1,325	1,325
		1,325
Technology 2.9%		
Anstock II 2.125%, 7/24/17	1,365	1,365
Apple, VR 1.68%, 2/9/22	1,375	1,388
Baidu 2.75%, 6/9/19	1,005	1,017
Broadcom 2.375%, 1/15/20 (1)	1,110	1,111
Broadcom 3.00%, 1/15/22 (1)	1,040	1,050
Everett Spinco 2.875%, 3/27/20 (1)	645	653

(Amounts in 000s)	Par/Shares	$ Value
Fidelity National Information Services 2.25%, 8/15/21	780	772
Hewlett Packard Enterprise STEP, 2.45%, 10/5/17	660	661
Hewlett Packard Enterprise STEP, 2.85%, 10/5/18	605	612
Keysight Technologies 3.30%, 10/30/19	1,415	1,442
Qualcomm 2.10%, 5/20/20	405	407
Qualcomm 2.60%, 1/30/23	275	274
Seagate Tech 3.75%, 11/15/18	420	429
Tencent Holdings 2.875%, 2/11/20 (1)	255	258
Xerox 5.625%, 12/15/19	415	444
		11,883
Transportation 1.3%		
Delta Air Lines 2.875%, 3/13/20	955	967
ERAC USA Finance 2.80%, 11/1/18 (1)	30	30
ERAC USA Finance 6.375%, 10/15/17 (1)	185	188
HPHT Finance 15 2.25%, 3/17/18 (1)	660	660
J.B. Hunt Transportation Services 2.40%, 3/15/19	80	81
Kansas City Southern 2.35%, 5/15/20	285	284
Penske Truck Leasing 2.875%, 7/17/18 (1)	1,565	1,581
Penske Truck Leasing 3.375%, 3/15/18 (1)	1,140	1,153
Southwest Airlines 2.75%, 11/6/19	320	325
		5,269
Total Industrial		**106,193**
Utility 3.2%		
Electric 3.2%		
Dominion Resources 1.50%, 9/30/18 (1)	395	392

(Amounts in 000s)	Par/Shares	$ Value
Dominion Resources 1.875%, 1/15/19	185	185
Dominion Resources 2.125%, 2/15/18 (1)	1,125	1,128
Dominion Resources, STEP 2.579%, 7/1/20	270	271
Dominion Resources, STEP 2.962%, 7/1/19	240	243
EDP Finance 6.00%, 2/2/18 (1)	297	304
Enel Finance International 2.875%, 5/25/22 (1)	770	768
Eversource Energy 1.60%, 1/15/18	415	414
Exelon Generation 2.95%, 1/15/20	480	488
FirstEnergy 2.75%, 3/15/18	460	462
FirstEnergy 2.85%, 7/15/22	585	583
Great Plains Energy 2.50%, 3/9/20	570	574
National Rural Utilities Cooperative Finance 1.65%, 2/8/19	275	275
NextEra Energy Capital Holdings 1.649%, 9/1/18	290	289
NextEra Energy Capital Holdings 2.056%, 9/1/17	220	220
NextEra Energy Capital Holdings 2.30%, 4/1/19	285	286
Origin Energy Finance 3.50%, 10/9/18 (1)	705	711
PPL Capital Funding 1.90%, 6/1/18	100	100
San Diego Gas & Electric 1.914%, 2/1/22	193	191
Southern Company 1.55%, 7/1/18	270	269
Southern Company 1.85%, 7/1/19	955	949
Southern Company 2.35%, 7/1/21	210	209
Southern Power 1.85%, 12/1/17	210	210
TECO Finance, VR 1.755%, 4/10/18	715	716

(Amounts in 000s)	Par/Shares	$ Value
Zhejiang Provincial Energy 2.30%, 9/30/17	2,785	2,786
Total Utility		**13,023**
Total Corporate Bonds (Cost $199,121)		**199,689**
ASSET-BACKED SECURITIES 20.5%		
Car Loan 12.6%		
Ally Auto Receivables Trust, Series 2014-1 Class C 2.04%, 12/15/19	110	110
Ally Auto Receivables Trust, Series 2014-1 Class D 2.48%, 2/15/21	110	110
Ally Auto Receivables Trust, Series 2015-1 Class A4 1.75%, 5/15/20	175	175
Ally Auto Receivables Trust, Series 2015-2 Class C 2.41%, 1/15/21 (1)	750	755
Ally Auto Receivables Trust, Series 2016-1 Class D 2.84%, 9/15/22	260	262
Ally Auto Receivables Trust, Series 2017-2 Class C 2.46%, 9/15/22	505	505
Ally Auto Receivables Trust, Series 2017-2 Class D 2.93%, 11/15/23	135	135
Ally Master Owner Trust Series 2012-5, Class A 1.54%, 9/15/19	2,315	2,315
Ally Master Owner Trust Series 2017-2 Class A, VR 1.554%, 6/15/21	275	275
Ally Master Owner Trust Series 2017-3, Class A1 VR, 1.574%, 6/15/22	205	205

(Amounts in 000s)	Par/Shares	$ Value
Americredit Automobile Receivable Trust, Series 2014-1, Class E 3.58%, 8/9/21	260	264
AmeriCredit Automobile Receivables Trust, Series 2014-2, Class B 1.60%, 7/8/19	990	991
Americredit Automobile Receivables Trust, Series 2014-2, Class E 3.37%, 11/8/21	545	553
AmeriCredit Automobile Receivables Trust, Series 2014-3, Class C 2.58%, 9/8/20	205	206
AmeriCredit Automobile Receivables Trust, Series 2014-3, Class D 3.13%, 10/8/20	640	650
AmeriCredit Automobile Receivables Trust, Series 2014-4, Class C 2.47%, 11/9/20	340	343
AmeriCredit Automobile Receivables Trust, Series 2015-1, Class A3 1.26%, 11/8/19	274	274
AmeriCredit Automobile Receivables Trust, Series 2015-2, Class A3 1.27%, 1/8/20	249	249
AmeriCredit Automobile Receivables Trust, Series 2015-2, Class D 3.00%, 6/8/21	360	363
AmeriCredit Automobile Receivables Trust, Series 2015-3, Class D 3.34%, 8/8/21	460	466
AmeriCredit Automobile Receivables Trust, Series 2015-4, Class A3 1.70%, 7/8/20	380	380
AmeriCredit Automobile Receivables Trust, Series 2016-1, Class A3 1.81%, 10/8/20	140	140
AmeriCredit Automobile Receivables Trust, Series 2016-1, Class C 2.89%, 1/10/22	795	805

(Amounts in 000s)	Par/Shares	$ Value
AmeriCredit Automobile Receivables Trust, Series 2016-3, Class C 2.24%, 4/8/22	610	606
AmeriCredit Automobile Receivables Trust, Series 2016-4, Class A3 1.53%, 7/8/21	605	603
AmeriCredit Automobile Receivables Trust, Series 2017-1, Class C 2.71%, 8/18/22	225	226
ARI Fleet Lease Trust Series 2015-A, Class A2 1.11%, 11/15/18 (1)	139	139
ARI Fleet Lease Trust Series 2015-A, Class A3 1.67%, 9/15/23 (1)	625	624
ARI Fleet Lease Trust Series 2016-A, Class A2 1.82%, 7/15/24 (1)	688	689
ARI Fleet Lease Trust Series 2017-A, Class A2 1.91%, 4/15/26 (1)	190	190
Avis Budget Rental Car Funding, Series 2012-3A Class A 2.10%, 3/20/19 (1)	813	814
Avis Budget Rental Car Funding, Series 2013-1A Class A 1.92%, 9/20/19 (1)	669	669
Avis Budget Rental Car Funding, Series 2013-2A Class A 2.97%, 2/20/20 (1)	1,011	1,021
Avis Budget Rental Car Funding, Series 2013-2A Class B 3.66%, 2/20/20 (1)	400	406
Avis Budget Rental Car Funding, Series 2014-1A Class A 2.46%, 7/20/20 (1)	225	226
Avis Budget Rental Car Funding, Series 2014-2A Class A 2.50%, 2/20/21 (1)	1,085	1,082
BMW Vehicle Lease Trust Series 2016-2, Class A3 1.43%, 9/20/19	340	339

(Amounts in 000s)	Par/Shares	$ Value
BMW Vehicle Lease Trust Series 2017-1, Class A3 1.98%, 5/20/20	675	677
California Republic Auto Receivables Trust, Series 2015-1, Class B 2.51%, 2/16/21	195	196
Capital Auto Receivables Asset Trust, Series 2013-4, Class D 3.22%, 5/20/19	265	267
Capital Auto Receivables Asset Trust, Series 2014-3, Class A3 1.48%, 11/20/18	16	16
Capital Auto Receivables Asset Trust, Series 2015-2, Class A2 1.39%, 9/20/18	25	25
Capital Auto Receivables Asset Trust, Series 2015-2, Class A3 1.73%, 9/20/19	250	250
Capital Auto Receivables Asset Trust, Series 2015-3, Class A3 1.94%, 1/21/20	895	897
Capital Auto Receivables Asset Trust, Series 2015-4, Class A2 1.62%, 3/20/19	547	547
Capital Auto Receivables Asset Trust, Series 2016-1, Class A3 1.73%, 4/20/20	425	425
Capital Auto Receivables Asset Trust, Series 2016-2, Class A4 1.63%, 1/20/21	280	279
Capital Auto Receivables Asset Trust, Series 2016-3, Class A3 1.54%, 8/20/20	190	190
CarMax Auto Owner Trust Series 2013-2, Class A4 0.84%, 11/15/18	724	724
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

(Amounts in 000s)	Par/Shares	$ Value
CarMax Auto Owner Trust Series 2014-4, Class A4 1.81%, 7/15/20	220	220
Carmax Auto Owner Trust Series 2015-3, Class D 3.27%, 3/15/22	320	323
CarMax Auto Owner Trust Series 2016-1, Class A3 1.61%, 11/16/20	885	885
CarMax Auto Owner Trust Series 2016-4, Class A3 1.40%, 8/15/21	235	233
Chrysler Capital Auto Receivables Trust, Series 2016-BA, Class A2 1.36%, 1/15/20 (1)	186	186
Chrysler Capital Auto Receivables Trust, Series 2016-BA, Class A3 1.64%, 7/15/21 (1)	190	189
Enterprise Fleet Financing Series 2014-2, Class A2 1.05%, 3/20/20 (1)	50	50
Enterprise Fleet Financing Series 2015-1, Class A2 1.30%, 9/20/20 (1)	162	162
Enterprise Fleet Financing Series 2015-2, Class A2 1.59%, 2/22/21 (1)	557	557
Enterprise Fleet Financing Series 2016-1, Class A2 1.83%, 9/20/21 (1)	1,428	1,428
Enterprise Fleet Financing Series 2016-2, Class A2 1.74%, 2/22/22 (1)	393	392
Enterprise Fleet Financing Series 2017-1, Class A2 2.13%, 7/20/22 (1)	265	265
Enterprise Fleet Financing Series 2017-2, Class A2 1.97%, 1/20/23 (1)	280	280
Ford Credit Auto Lease Trust, Series 2017-A Class A 2.02%, 6/15/20	460	461
Ford Credit Auto Owner Trust, Series 2015-C Class A3 1.41%, 2/15/20	1,117	1,117

(Amounts in 000s)	Par/Shares	$ Value
Ford Credit Floorplan Master Owner Trust Series 2014-4, Class A1 1.40%, 8/15/19	660	660
Ford Credit Floorplan Master Owner Trust Series 2015-1, Class A1 1.42%, 1/15/20	505	505
Ford Credit Floorplan Master Owner Trust Series 2016-3, Class A1 1.55%, 7/15/21	595	592
Ford Credit Floorplan Master Owner Trust Series 2016-3, Class B 1.75%, 7/15/21	285	283
Ford Credit Floorplan Master Owner Trust Series 2017-1, Class B 2.25%, 5/15/22	620	620
General Motors Financial Automobile Leasing Trust, Series 2015-1 Class D 3.01%, 3/20/20	205	206
General Motors Financial Automobile Leasing Trust, Series 2016-1 Class A3 1.64%, 7/20/19	1,080	1,080
General Motors Financial Automobile Leasing Trust, Series 2017-1 Class A4 2.26%, 8/20/20	110	110
GMF Floorplan Owner Revolving Trust Series 2015-1, Class A1 1.65%, 5/15/20 (1)	440	440
GMF Floorplan Owner Revolving Trust Series 2015-1, Class C 2.22%, 5/15/20 (1)	410	410
GMF Floorplan Owner Revolving Trust Series 2016-1, Class B 2.41%, 5/17/21 (1)	150	151
GMF Floorplan Owner Revolving Trust Series 2016-1, Class C 2.85%, 5/17/21 (1)	100	100

(Amounts in 000s)	Par/Shares	$ Value
GMF Floorplan Owner Revolving Trust Series 2017-1, Class C 2.97%, 1/18/22 (1)	1,238	1,245
Hyundai Auto Lease Securitization Trust Series 2015-A, Class A4 1.65%, 8/15/19 (1)	735	735
Hyundai Auto Lease Securitization Trust Series 2015-B, Class A3 1.40%, 11/15/18 (1)	519	519
Hyundai Auto Lease Securitization Trust Series 2016-A, Class A3 1.60%, 7/15/19 (1)	615	615
Hyundai Auto Lease Securitization Trust Series 2016-B, Class A4 1.68%, 4/15/20 (1)	100	100
Hyundai Auto Lease Securitization Trust Series 2016-C, Class A4 1.65%, 7/15/20 (1)	465	464
Hyundai Auto Receivables Trust, Series 2015-A Class A3 1.05%, 4/15/19	252	252
Hyundai Auto Receivables Trust, Series 2017-A Class B 2.38%, 4/17/23	220	221
Mercedes-Benz Auto Lease Trust, Series 2016-A Class A3 1.52%, 3/15/19	705	705
Nissan Auto Lease Trust Series 2015-A, Class A3 1.40%, 6/15/18	234	234
Nissan Auto Lease Trust Series 2016-B, Class A4 1.61%, 1/18/22	435	434
Nissan Auto Receivables Owner Trust, Series 2013-B, Class A4 1.31%, 10/15/19	574	574
Nissan Master Owner Trust Receivables, Series 2015-A, Class A2 1.44%, 1/15/20	480	480

(Amounts in 000s)	Par/Shares	$ Value
Nissan Master Owner Trust Receivables, Series 2017-B, Class A, VR 1.589%, 4/18/22	405	406
Santander Drive Auto Receivables Trust, Series 2013-5, Class E 3.73%, 3/15/21 (1)	1,175	1,193
Santander Drive Auto Receivables Trust, Series 2014-3, Class D 2.65%, 8/17/20	90	91
Santander Drive Auto Receivables Trust, Series 2015-3, Class D 3.49%, 5/17/21	700	712
Santander Drive Auto Receivables Trust, Series 2015-4, Class C 2.97%, 3/15/21	401	406
Santander Drive Auto Receivables Trust, Series 2015-4, Class D 3.53%, 8/16/21	355	362
Santander Drive Auto Receivables Trust, Series 2015-5, Class C 2.74%, 12/15/21	1,040	1,045
Santander Drive Auto Receivables Trust, Series 2015-5, Class D 3.65%, 12/15/21	485	496
Santander Drive Auto Receivables Trust, Series 2016-1, Class B 2.47%, 12/15/20	255	257
Santander Drive Auto Receivables Trust, Series 2016-3, Class C 2.46%, 3/15/22	202	202
Santander Drive Auto Receivables Trust, Series 2017-1, Class B 2.10%, 6/15/21	75	75
Santander Drive Auto Receivables Trust, Series 2017-1, Class C 2.58%, 5/16/22	95	95
Smart Trust Australia, Series 2015-3US, Class A3A, 1.66%, 8/14/19	913	911

(Amounts in 000s)	Par/Shares	$ Value
Smart Trust Australia Series 2016-2US, Class A2A, 1.45%, 8/14/19	1,080	1,078
SunTrust Auto Receivables Trust, Series 2015-1A Class A3 1.42%, 9/16/19 (1)	818	818
Volkswagen Auto Loan Enhanced Trust, Series 2014-2, Class A4 1.39%, 5/20/21	345	345
Volkswagen Credit Auto Master Trust, Series 2014-1A, Class A2 1.40%, 7/22/19 (1)	315	315
Wheels, Series 2015-1A Class A2 1.27%, 4/22/24 (1)	128	128
Wheels, Series 2016-1A Class A2 1.59%, 5/20/25 (1)	191	191
World Omni Auto Lease Securization, Series 2017-A, Class A4 1.45%, 8/15/19	775	772
World Omni Auto Lease Securization, Series 2017-A, Class A4 2.32%, 8/15/22	180	181
		51,305
Credit Card 1.5%		
Barclay's Dryrock Issuance Trust, Series 2015-2 Class A, 1.56%, 3/15/21	1,455	1,455
Discover Card Master Trust I, Series 2016-A4, Class A4, 1.39%, 3/15/22	795	788
GE Capital Credit Card Master Note Trust, Series 2012-6, Class A 1.36%, 8/17/20	2,315	2,315
Synchrony Credit Card Master Note Trust, Series 2013-1, Class B 1.69%, 3/15/21	515	514
Synchrony Credit Card Master Note Trust, Series 2014-1, Class A 1.61%, 11/15/20	775	776

(Amounts in 000s)	Par/Shares	$ Value
Synchrony Credit Card Master Note Trust, Series 2015-1, Class B 2.64%, 3/15/23	395	398
		6,246
Other Asset-Backed Securities 5.8%		
ALM Loan Funding, Series 2014-14A, Class A1R CLO, VR 2.322%, 7/28/26 (1)	285	285
ALM Loan Funding, Series 2014-14A, Class A2R CLO, VR 2.722%, 7/28/26 (1)	325	325
Ascentium Equipment Receivables, Series 2015-2A, Class A3 1.93%, 3/11/19 (1)	880	881
Ascentium Equipment Receivables, Series 2016-2A, Class A2 1.46%, 4/10/19 (1)	224	223
Ascentium Equipment Receivables, Series 2017-1A, Class A2 1.87%, 7/10/19 (1)	225	225
Ascentium Equipment Receivables, Series 2017-1A, Class A3 2.29%, 6/10/21 (1)	225	225
CCG Receivables Trust Series 2014-1, Class A2 1.06%, 11/15/21 (1)	21	21
CCG Receivables Trust Series 2015-1, Class A2 1.46%, 11/14/18 (1)	434	434
CCG Receivables Trust Series 2015-1, Class B 2.60%, 1/17/23 (1)	530	531
CCG Receivables Trust Series 2016-1, Class A2 1.69%, 9/14/22 (1)	265	265
CNH Equipment Trust Series 2014-C, Class A3 1.05%, 11/15/19	74	74
CNH Equipment Trust Series 2015-B, Class A3 1.37%, 7/15/20	519	518
CNH Equipment Trust Series 2016-A, Class A3 1.48%, 4/15/21	1,245	1,241
CNH Equipment Trust Series 2016-C, Class A3 1.44%, 12/15/21	410	407
DB Master Finance, Series 2015-1A, Class A2I 3.262%, 2/20/45 (1)	758	762
Diamond Resorts Owner Trust, Series 2013-2 Class A 2.27%, 5/20/26 (1)	119	118
Diamond Resorts Owner Trust, Series 2014-1 Class A 2.54%, 5/20/27 (1)	133	131
Diamond Resorts Owner Trust, Series 2015-1 Class A 2.73%, 7/20/27 (1)	118	118
Diamond Resorts Owner Trust, Series 2015-2 Class A 2.99%, 5/22/28 (1)	186	183
Elara HGV Timeshare Issuer, Series 2014-A Class A 2.53%, 2/25/27 (1)	45	45
GE Dealer Floorplan Master Note Series 2014-2, Class A VR, 1.662%, 10/20/19	260	260
GreatAmerica Leasing Receivables, Series 2016-1, Class A3 1.73%, 6/20/19 (1)	1,235	1,234
GreatAmerica Leasing Receivables, Series 2017-1, Class A2 1.72%, 4/22/19 (1)	100	100
GreatAmerica Leasing Receivables, Series 2017-1, Class A3 2.06%, 6/22/20 (1)	100	100
Halcyon Loan Advisors Funding, Series 2014-3A Class B1R, CLO, VR 3.00%, 10/22/25 (1)	505	505
Hilton Grand Vacation Trust, Series 2014-AA Class A 1.77%, 11/25/26 (1)	868	855

(Amounts in 000s)	Par/Shares	$ Value
Hilton Grand Vacation Trust, Series 2017-AA Class A 2.66%, 12/26/28 (1)	316	316
Hilton Grand Vacation Trust, Series 2017-AA Class B, VR 2.96%, 12/26/28 (1)	110	110
John Deere Owner Trust Series 2015-A, Class A3 1.32%, 6/17/19	133	133
John Deere Owner Trust Series 2015-A, Class A4 1.65%, 12/15/21	1,359	1,360
John Deere Owner Trust Series 2015-B, Class A3 1.44%, 10/15/19	816	816
John Deere Owner Trust Series 2016-A, Class A3 1.36%, 4/15/20	615	614
John Deere Owner Trust Series 2016-B, Class A3 1.25%, 6/15/20	350	348
Kubota Credit Owner Trust, Series 2015-1A Class A3 1.54%, 3/15/19 (1)	468	468
Kubota Credit Owner Trust, Series 2016-1A Class A3 1.50%, 7/15/20 (1)	245	244
Madison Park Funding Series 2014-14A, Class A2R, CLO, VR 2.276%, 7/20/26 (1)	700	700
Marriott Vacation Club Owner Trust, Series 2013-1A, Class A 2.15%, 4/22/30 (1)	613	611
Marriott Vacation Club Owner Trust, Series 2014-1A, Class A 2.25%, 9/22/31 (1)	67	67
Marriott Vacation Club Owner Trust, Series 2015-1A, Class A 2.52%, 12/20/32 (1)	486	484
MMAF Equipment Finance, Series 2014-AA Class A3 0.87%, 1/8/19 (1)	180	179

(Amounts in 000s)	Par/Shares	$ Value
MMAF Equipment Finance, Series 2015-AA Class A3 1.39%, 10/16/19 (1)	158	158
MMAF Equipment Finance, Series 2016-AA Class A3 1.48%, 6/15/20 (1)	405	404
MMAF Equipment Finance, Series 2017-AA Class A2 1.73%, 5/18/22 (1)	285	285
Neuberger Berman, Series 2015-19A, Class A1R CLO, VR 2.27%, 7/15/27 (1)	250	250
OZLM, Series 2014-8A Class A1AR, CLO, VR 2.598%, 10/17/26 (1)	795	795
Sierra Receivables Funding Series 2014-2A, Class A 2.05%, 6/20/31 (1)	32	32
Sierra Receivables Funding Series 2014-3A, Class A 2.30%, 10/20/31 (1)	92	92
Sierra Receivables Funding Series 2015-1A, Class A 2.40%, 3/22/32 (1)	432	432
Sierra Receivables Funding Series 2015-2A, Class A 2.43%, 6/20/32 (1)	191	191
Sierra Receivables Funding Series 2015-3A, Class A 2.58%, 9/20/32 (1)	246	247
Sierra Receivables Funding Series 2016-2A, Class A 2.33%, 7/20/33 (1)	211	210
Sierra Receivables Funding Series 2017-1A, Class A 2.91%, 3/20/34 (1)	204	206
Springleaf Funding Trust Series 2016-AA, Class A 2.90%, 11/15/29 (1)	270	271
Verizon Owner Trust Series 2016-2A, Class A 1.68%, 5/20/21 (1)	755	753
Verizon Owner Trust Series 2016-2A, Class B 2.15%, 5/20/21 (1)	520	520
Verizon Owner Trust Series 2016-2A, Class C 2.36%, 5/20/21 (1)	405	405

(Amounts in 000s)	Par/Shares	$ Value
Verizon Owner Trust Series 2017-1A, Class B 2.45%, 9/20/21 (1)	160	161
Verizon Owner Trust Series 2017-1A, Class C 2.65%, 9/20/21 (1)	215	216
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)	1,007	1,016
		23,470
Student Loan 0.5%		
SLM Student Loan Trust Series 2008-4, Class A4 VR, 2.806%, 7/25/22	458	469
SLM Student Loan Trust Series 2008-5, Class A4 VR, 2.856%, 7/25/23	407	418
SLM Student Loan Trust Series 2008-9, Class A VR, 2.656%, 4/25/23	284	290
SLM Student Loan Trust Series 2010-1, Class A VR, 1.616%, 3/25/25	892	879
		2,056
Whole Business 0.1%		
Dominos Pizza Master Issuer, Series 2012-1A Class A2 5.216%, 1/25/42 (1)	592	593
		593
Total Asset-Backed Securities (Cost $83,727)		**83,670**
NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 8.4%		
Collateralized Mortgage Obligations 3.1%		
Bank of America Mortgage Securites, Series 2004-A Class 2A2, CMO, ARM 3.59%, 2/25/34	17	16

(Amounts in 000s)	Par/Shares	$ Value
Bayview Opportunity Master Fund, Series 2017-SPL4, Class A CMO, ARM 3.50%, 1/28/55 (1)	416	427
Colt Funding, Series 2017-1, Class A1, CMO, ARM 2.614%, 5/27/47 (1)	768	772
Colt Funding, Series 2017-1, Class A3, CMO, ARM 3.074%, 5/27/47 (1)	93	94
Connecticut Avenue Securities, Series 2015-C01, Class 2M1, CMO ARM, 3.316%, 8/25/28	672	679
Connecticut Avenue Securities, Series 2016-C02, Class 1M1, CMO ARM, 3.366%, 9/25/28	121	123
Connecticut Avenue Securities, Series 2016-C07, Class 2M1, CMO ARM, 2.516%, 4/25/29	391	394
Connecticut Avenue Securities, Series 2017-C02, Class 2M1, CMO ARM, 2.366%, 9/25/29	815	822
Connecticut Avenue Securities, Series 2017-C03, Class 1M1, CMO ARM, 2.166%, 10/25/29	991	996
Connecticut Avenue Securities, Series 2017-C04, Class 2M1, CMO ARM, 2.066%, 11/25/29	537	539
Goldman Sachs Mortgage-Backed Securities Trust Series 2014-EB1A, Class 2A1, CMO, ARM 2.476%, 7/25/44 (1)	86	85
Mill City Mortgage Trust Series 2016-1, Class A CMO, ARM 2.50%, 4/25/57 (1)	183	183
Mill City Mortgage Trust Series 2017-2, Class A1 CMO, ARM 2.75%, 7/25/59 (1)	965	974

(Amounts in 000s)	Par/Shares	$ Value
Structured Agency Credit Risk Debt Notes, Series 2014-HQ2, Class M1 CMO, ARM 2.666%, 9/25/24	31	31
Structured Agency Credit Risk Debt Notes, Series 2015-DNA1, Class M1 CMO, ARM 2.116%, 10/25/27	127	127
Structured Agency Credit Risk Debt Notes, Series 2015-HQ2, Class M1 CMO, ARM 2.316%, 5/25/25	46	46
Structured Agency Credit Risk Debt Notes, Series 2016-DNA1, Class M1 CMO, ARM 2.666%, 7/25/28	420	422
Structured Agency Credit Risk Debt Notes, Series 2016-HQA1, Class M1 CMO, ARM 2.966%, 9/25/28	126	127
Structured Agency Credit Risk Debt Notes, Series 2017-DNA1, Class M1 CMO, ARM 2.416%, 7/25/29	454	460
Structured Agency Credit Risk Debt Notes, Series 2017-DNA2, Class M1 CMO, ARM 2.416%, 10/25/29	996	1,010
Structured Agency Credit Risk Debt Notes, Series 2017-HQA1, Class M1 CMO, ARM 2.416%, 8/25/29	867	877
Structured Agency Credit Risk Debt Notes, Series 2017-HQA2, Class M2 CMO, ARM 1.959%, 12/25/29	250	251
Towd Point Mortgage Trust, Series 2015-4 Class A1B, CMO, ARM 2.75%, 4/25/55 (1)	618	622
Towd Point Mortgage Trust, Series 2015-5 Class A1B, CMO, ARM 2.75%, 5/25/55 (1)	509	513

(Amounts in 000s)	Par/Shares	$ Value
Towd Point Mortgage Trust, Series 2016-1 Class A1B, CMO, ARM 2.75%, 2/25/55 (1)	294	296
Towd Point Mortgage Trust, Series 2016-1 Class A3B, CMO, ARM 3.00%, 2/25/55 (1)	363	366
Towd Point Mortgage Trust, Series 2016-2 Class A1A, CMO, ARM 2.75%, 8/25/55 (1)	230	232
Towd Point Mortgage Trust, Series 2017-1 Class A1, CMO, ARM 2.75%, 10/25/56 (1)	771	777
Towd Point Mortgage Trust, Series 2017-2 Class A1, CMO, ARM 2.75%, 4/25/57 (1)	502	507
WaMu Mortgage PTC Series 2005-AR12, Class 2A1, CMO, ARM 3.126%, 9/25/35	13	13
Wells Fargo Mortgage Backed SecuritiesTrust Series 2004-G, Class A3 CMO, ARM 3.349%, 6/25/34	9	9
		12,790
Commercial Mortgage-Backed Securities 5.0%		
Banc of America Commercial Mortgage Series 2007-4, Class AM ARM, 6.158%, 2/10/51	5	5
Banc of America Commercial Mortgage Series 2007-BNK3, Class A1, 1.957%, 2/15/50	152	152
Banc of America Merrill Large Loan, Series 2014-IP, Class A, ARM 2.808%, 6/15/28 (1)	865	868
CD Commercial Mortgage Trust, Series 2017-CD3 Class A1 1.965%, 2/10/50	161	161
Citigroup Commercial Mortgage Trust, Series 2013-GC15, Class A1 1.378%, 9/10/46	1	1

(Amounts in 000s)	Par/Shares	$ Value
Citigroup Commercial Mortgage Trust, Series 2013-GC17, Class A1 1.102%, 11/10/46	152	151
Citigroup Commercial Mortgage Trust, Series 2014-GC19, Class A1 1.199%, 3/10/47	21	21
Citigroup Commercial Mortgage Trust, Series 2014-GC21, Class A1 1.242%, 5/10/47	88	88
Citigroup Commercial Mortgage Trust, Series 2014-GC25, Class A1 1.485%, 10/10/47	18	18
Citigroup Commercial Mortgage Trust, Series 2015-GC27, Class A1 1.353%, 2/10/48	257	256
Citigroup Commercial Mortgage Trust, Series 2015-GC31, Class A1 1.637%, 6/10/48	408	407
Citigroup Commercial Mortgage Trust, Series 2015-GC33, Class A1 1.643%, 9/10/58	752	748
CLNS Trust, Series 2017-IKPR, Class A, ARM 1.80%, 6/11/32 (1)	340	340
Commercial Mortgage PTC Series 2014-CR15, Class A1, 1.218%, 2/10/47	226	226
Commercial Mortgage PTC Series 2014-CR17, Class A1, 1.275%, 5/10/47	66	66
Commercial Mortgage PTC Series 2014-CR19, Class A1, 1.415%, 8/10/47	80	79
Commercial Mortgage PTC Series 2014-CR20, Class A1, 1.324%, 11/10/47	30	30
Commercial Mortgage PTC Series 2014-CR21, Class A, 1.494%, 12/10/47	58	58
Commercial Mortgage PTC Series 2014-LC15, Class A1, 1.259%, 4/10/47	104	103
Commercial Mortgage PTC Series 2014-LC17, Class A1, 1.381%, 10/10/47	43	43

(Amounts in 000s)	Par/Shares	$ Value
Commercial Mortgage PTC Series 2014-TSC, Class A ARM 1.978%, 2/13/32 (1)	130	130
Commercial Mortgage PTC Series 2014-UBS2, Class A1, 1.298%, 3/10/47	89	89
Commercial Mortgage PTC Series 2014-UBS4, Class A1, 1.309%, 8/10/47	13	13
Commercial Mortgage PTC Series 2014-UBS5, Class A1, 1.373%, 9/10/47	60	60
Commercial Mortgage PTC Series 2014-UBS6, Class A1, 1.445%, 12/10/47	105	104
Commercial Mortgage PTC Series 2015-CR22, Class A1, 1.569%, 3/10/48	90	90
Commercial Mortgage PTC Series 2015-CR24, Class A1, 1.652%, 8/10/48	261	261
Commercial Mortgage PTC Series 2015-CR26, Class A1, 1.604%, 10/10/48	1,758	1,751
Commercial Mortgage PTC Series 2015-LC23, Class A2, 3.221%, 10/10/48	1,025	1,054
Commercial Mortgage PTC Series 2015-PC1, Class A1, 1.667%, 7/10/50	477	477
Commercial Mortgage PTC Series 2016-CR28, Class A1, 1.77%, 2/10/49	247	246
CSAIL Commercial Mortgage Trust, Series 2015-C1, Class A1 1.684%, 4/15/50	168	168
CSAIL Commercial Mortgage Trust, Series 2015-C2, Class A1 1.454%, 6/15/57	680	676
CSAIL Commercial Mortgage Trust, Series 2015-C3, Class A1 1.717%, 8/15/48	178	178
CSAIL Commercial Mortgage Trust, Series 2016-C5, Class A1 1.747%, 11/15/48	252	251

(Amounts in 000s)	Par/Shares	$ Value
Goldman Sachs Mortgage Securities II, Series 2014-GC22, Class A1 1.29%, 6/10/47	78	78
Goldman Sachs Mortgage Securities Trust, Series 2014-GC24, Class A1 1.509%, 9/10/47	126	126
Goldman Sachs Mortgage Securities Trust, Series 2015-GC28, Class A1 1.528%, 2/10/48	477	475
Goldman Sachs Mortgage Securities Trust, Series 2015-GC32, Class A1 1.593%, 7/10/48	173	172
Goldman Sachs Mortgage Securities Trust, Series 2016-GS3, Class A1 1.429%, 10/10/49	125	123
Hospitality Mortgage Trust Series 2017-HIT Class A, ARM 1.939%, 5/8/30 (1)	335	335
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2007-C27, Class A1, 1.414%, 2/15/48	408	407
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C19, Class A1, 1.266%, 4/15/47	36	36
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C22, Class A1, 1.451%, 9/15/47	23	23
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C23, Class A1, 1.65%, 9/15/47	44	44
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C24, Class A1, 1.539%, 11/15/47	19	18

(Amounts in 000s)	Par/Shares	$ Value
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C26, Class A1, 1.596%, 1/15/48	363	362
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C28, Class A1, 1.445%, 10/15/48	394	392
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C29, Class A1, 1.626%, 5/15/48	195	195
JPMorgan Chase Commercial Mortgage Securities, Series 2006-LDP7, Class AM, ARM 6.139%, 4/17/45	18	18
JPMorgan Chase Commercial Mortgage Securities, Series 2014-C20, Class A1 1.268%, 7/15/47	70	70
JPMorgan Chase Commercial Mortgage Securities, Series 2016-JP3, Class A1 1.462%, 8/15/49	383	379
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C14 Class A1 1.25%, 2/15/47	56	56
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C16 Class A1 1.294%, 6/15/47	43	43
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C17 Class A1 1.551%, 8/15/47	26	26
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C18 Class A1 1.686%, 10/15/47	33	33

(Amounts in 000s)	Par/Shares	$ Value
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C19 Class A1 1.573%, 12/15/47	225	224
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C24 A1, 1.706%, 5/15/48	266	265
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2016-C30 Class A1 1.389%, 9/15/49	204	201
Morgan Stanley Capital I Series 2015-MS1, Class A1, 1.638%, 5/15/48	274	273
Wells Fargo Commercial Mortgage Trust, Series 2013-LC12, Class A1 1.676%, 7/15/46	1,568	1,568
Wells Fargo Commercial Mortgage Trust, Series 2014-LC18, Class A1 1.437%, 12/15/47	259	258
Wells Fargo Commercial Mortgage Trust, Series 2015-C26, A1 1.454%, 2/15/48	211	210
Wells Fargo Commercial Mortgage Trust, Series 2015-C27, Class A1 1.73%, 2/15/48	595	595
Wells Fargo Commercial Mortgage Trust, Series 2015-C28, Class A1 1.531%, 5/15/48	218	218
Wells Fargo Commercial Mortgage Trust, Series 2015-LC20, Class A1 1.471%, 4/15/50	214	213
Wells Fargo Commercial Mortgage Trust, Series 2015-NXS1, Class A1 1.342%, 5/15/48	158	158
Wells Fargo Commercial Mortgage Trust, Series 2015-NXS2, Class A2 3.02%, 7/15/58	640	653

(Amounts in 000s)	Par/Shares	$ Value
Wells Fargo Commercial Mortgage Trust, Series 2016-C32, Class A1 1.577%, 1/15/59	812	808
Wells Fargo Commercial Mortgage Trust, Series 2016-LC24, Class 1 1.441%, 10/15/49	221	220
WF-RBS Commercial Mortgage Trust, Series 2013-UBS1, Class A1 1.122%, 3/15/46	36	36
WF-RBS Commercial Mortgage Trust, Series 2014-C20, Class A1 1.283%, 5/15/47	127	127
WF-RBS Commercial Mortgage Trust, Series 2014-C21, Class A1 1.413%, 8/15/47	63	63
WF-RBS Commercial Mortgage Trust, Series 2014-C22, Class A1 1.479%, 9/15/57	80	80
WF-RBS Commercial Mortgage Trust, Series 2014-C23, Class A1 1.663%, 10/15/57	1,393	1,391
WF-RBS Commercial Mortgage Trust, Series 2014-LC14, Class A1 1.193%, 3/15/47	75	74
		20,415
Home Equity 0.3%		
BankBoston Home Equity Loan Trust, Series 1998-2, Class A6, ARM 6.64%, 12/25/28	36	36
Chase Funding Mortgage Loan, Series 2002-4 Class 2A1, ARM 1.956%, 10/25/32	22	21
Nationstar Home Equity Loan Trust, Series 2016-1A, Class A, ARM 2.981%, 2/25/26 (1)	125	125
Nationstar Home Equity Loan Trust, Series 2016-2A, Class A, ARM 2.239%, 6/25/26 (1)	135	136

(Amounts in 000s)

	Par/Shares	$ Value
Nationstar Home Equity Loan Trust, Series 2016-3A, Class A 2.013%, 8/25/26 (1)	78	79
Novastar Home Equity Loan, Series 2006-1 Class A1A, ARM 1.376%, 5/25/36	770	749
		1,146
Total Non-U.S. Government Mortgage-Backed Securities (Cost $34,327)		**34,351**

U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 6.8%

U.S. Government Agency Obligations 6.3% (2)

	Par/Shares	$ Value
Federal Home Loan Mortgage		
1.369%, 5/25/19	11	11
1.426%, 8/25/17	43	43
2.059%, 3/25/20	386	387
3.50%, 3/1/46	1,555	1,607
4.00%, 8/1/26	125	131
5.00%, 10/1/18 - 7/1/25	171	182
5.50%, 4/1/23 - 10/1/38	48	51
6.00%, 7/1/17 - 1/1/38	279	313
Federal Home Loan Mortgage, ARM		
2.841%, 9/1/35	14	15
2.843%, 10/1/36	7	8
2.865%, 1/1/36	38	41
2.875%, 7/1/38	24	25
3.03%, 7/1/35	10	11
3.322%, 10/1/36	56	59
3.348%, 1/1/36	3	3
3.369%, 1/1/37	7	8
3.375%, 4/1/37	29	31
3.394%, 2/1/35	25	26
3.40%, 11/1/35	6	7
3.409%, 2/1/37	17	18
3.414%, 6/1/38	51	54
3.451%, 5/1/38	31	33
3.486%, 11/1/36	4	5
3.54%, 5/1/37	21	22
3.806%, 2/1/38	45	47
Federal Home Loan Mortgage CMO, 4.00%, 11/15/36	250	263
Federal National Mortgage Assn.		
3.00%, 1/1/27 - 3/1/30	2,115	2,174
3.50%, 11/1/26 - 10/1/46	4,892	5,063
4.00%, 5/1/24 - 11/1/43	1,536	1,616
4.50%, 6/1/19 - 12/1/45	3,840	4,103
5.00%, 7/1/19 - 10/1/41	3,258	3,559
5.50%, 2/1/18 - 7/1/41	1,516	1,675
6.00%, 9/1/21 - 4/1/40	1,401	1,588
6.50%, 7/1 - 12/1/32	172	198
Federal National Mortgage Assn., ARM		
2.965%, 12/1/35	2	2
3.10%, 9/1/37	39	41
3.111%, 12/1/35	14	15
3.182%, 7/1/35	8	8
3.266%, 7/1/36	36	38
3.282%, 8/1/38	17	18
3.381%, 1/1/34	22	23
3.395%, 12/1/35	8	8
3.461%, 12/1/35	4	5
3.538%, 5/1/38	30	32
3.54%, 12/1/36	16	17
3.58%, 4/1/38	33	35
3.61%, 5/1/38	61	65
Federal National Mortgage Assn., CMO, ARM 1.716%, 11/25/46	2,086	2,097
		25,781

U.S. Government Obligations 0.5%

	Par/Shares	$ Value
Government National Mortgage Assn.		
3.50%, 3/20/43	162	169
5.00%, 12/20/34 - 3/20/41	735	811
5.50%, 2/20/34	941	1,053
		2,033
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $27,804)		**27,814**

U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 10.0%

U.S. Treasury Obligations 10.0%

	Par/Shares	$ Value
U.S. Treasury Notes 1.00%, 11/15/19 (3)	13,815	13,668
U.S. Treasury Notes 1.25%, 12/31/18	1,505	1,503
U.S. Treasury Notes 1.25%, 4/30/19	6,920	6,904

(Amounts in 000s)

	Par/Shares	$ Value
U.S. Treasury Notes 1.25%, 5/31/19	3,975	3,966
U.S. Treasury Notes 1.25%, 1/31/20	4,785	4,755
U.S. Treasury Notes 1.375%, 5/31/21	5,145	5,073
U.S. Treasury Notes 1.50%, 6/15/20	1,380	1,378
U.S. Treasury Notes 1.625%, 11/30/20	3,640	3,638
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost $41,122)		**40,885**
FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 1.2%		
Owned No Guarantee 1.2%		
Petroleos Mexicanos 3.125%, 1/23/19	60	61
Petroleos Mexicanos 3.50%, 7/18/18	175	178
Petroleos Mexicanos 3.50%, 7/23/20	610	618
Shenhua Overseas Capital 2.50%, 1/20/18	1,710	1,714
Shenhua Overseas Capital 3.125%, 1/20/20	930	939
State Grid Overseas 2.25%, 5/4/20 (1)	1,485	1,481
Total Foreign Government Obligations & Municipalities (Cost $4,959)		**4,991**
MUNICIPAL SECURITIES 0.2%		
Florida 0.2%		
Florida State Board of Administration Fin. Corp. Series A, 2.163%, 7/1/19	840	845
Total Municipal Securities (Cost $840)		**845**

(Amounts in 000s)

	Par/Shares	$ Value
SHORT-TERM INVESTMENTS 3.9%		
Certificates of Deposit 0.3%		
Yankee 0.3% (4)		
Credit Suisse New York 2.028%, 9/12/17	1,015	1,015
		1,015
Commercial Paper 2.0%		
4(2) 2.0% (5)		
Anheuser Busch InBev World 1.45%, 9/5/17	615	613
Anheuser Busch InBev World 1.50%, 10/10/17	375	374
AXA Financial 1.55%, 7/24/17	1,975	1,973
Ford Motor Credit 1.75%, 9/1/17	2,015	2,009
Manhattan Asset Funding 1.52%, 9/6/17	2,015	2,009
VW Credit 1.75%, 9/18/17	1,060	1,056
		8,034
Money Market Funds 1.6%		
T. Rowe Price Government Reserve Fund, 0.99% (6)(7)	6,608	6,608
		6,608
Total Short-Term Investments (Cost $15,657)		**15,657**
Total Investments in Securities		
100.0% of Net Assets (Cost $407,557)		**$ 407,902**

‡ 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 $93,121 and represents 22.8% 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) At June 30, 2017, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
(4) Yankee certificates of deposit are issued by U.S. branches of foreign banks.
(5) Commercial paper exempt from registration under Section 4(2) of the Securities Act of 1933 and may be resold in transactions exempt from registration only to dealers in that program or other "accredited investors" -- total value of such securities at period-end amounts to $8,034 and represents 2.0% of net assets.
(6) Seven-day yield
(7) Affiliated Company
ARM Adjustable Rate Mortgage
CLO Collateralized Loan Obligation
CMO Collateralized Mortgage Obligation
PTC Pass-Through Certificate
STEP Stepped coupon bond for which the coupon rate of interest adjusts on specified date(s).
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, $104.67*), Receive 1.00% Pay upon credit default, 12/20/18	340 $	5 $	1 $	4
Total Bilateral Credit Default Swaps, Protection Sold			**1**	**4**
Total Bilateral Swaps		**$**	**1 $**	**4**

***Market price at June 30, 2017**

Futures Contracts

($000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Short, 74 U.S. Treasury Notes 10 year contracts	9/17	$ (9,289)	$ 27
Long, 409 U.S. Treasury Notes two year contracts	9/17	88,389	(71)
Net payments (receipts) of variation margin to date			26
Variation margin receivable (payable) on open futures contracts			$ (18)

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, 2017. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/31/17	Value 12/31/16
T. Rowe Price Government Reserve Fund	¤	¤	$ 19	$ 6,608	$ 9,833
Totals			$ 19	$ 6,608	$ 9,833

¤ 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	$ 6,608
Dividend income	19
Interest income	—
Investment income	$ 19
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, 2017 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $407,557)	$	407,902
Interest receivable		1,723
Receivable for shares sold		54
Unrealized gain on bilateral swaps		4
Bilateral swap premiums paid		1
Other assets		31
Total assets		409,715
Liabilities		
Payable for investment securities purchased		1,636
Investment management and administrative fees payable		256
Variation margin payable on futures contracts		18
Payable for shares redeemed		3
Other liabilities		11
Total liabilities		1,924
NET ASSETS	**$**	**407,791**
Net Assets Consist of:		
Overdistributed net investment income	$	(455)
Accumulated undistributed net realized loss		(2,761)
Net unrealized gain		305
Paid-in capital applicable to 84,170,978 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		410,702
NET ASSETS	**$**	**407,791**
NET ASSET VALUE PER SHARE		
Limited-Term Bond Class ($398,906,165 / 82,329,602 shares outstanding)	**$**	**4.85**
Limited-Term Bond - II Class ($8,884,730 / 1,841,376 shares outstanding)	**$**	**4.83**

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 6/30/17
Investment Income (Loss)		
Income		
Interest	$	3,808
Dividend		20
Total income		3,828
Expenses		
Investment management and administrative expense		1,403
Rule 12b-1 fees - Limited-Term Bond-II Class		12
Total expenses		1,415
Net investment income		2,413
Realized and Unrealized Gain / Loss		
Net realized gain (loss)		
Securities		130
Futures		(102)
Swaps		1
Net realized gain		29
Change in net unrealized gain / loss		
Securities		1,072
Futures		(52)
Swaps		(1)
Change in net unrealized gain / loss		1,019
Net realized and unrealized gain / loss		1,048
INCREASE IN NET ASSETS FROM OPERATIONS	**$**	**3,461**

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 6/30/17	Year Ended 12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 2,413	$ 4,345
Net realized gain (loss)	29	(526)
Change in net unrealized gain / loss	1,019	2,024
Increase in net assets from operations	3,461	5,843
Distributions to shareholders		
Net investment income		
Limited-Term Bond Class	(2,810)	(5,543)
Limited-Term Bond-II Class	(58)	(105)
Decrease in net assets from distributions	(2,868)	(5,648)
Capital share transactions*		
Shares sold		
Limited-Term Bond Class	27,594	64,640
Limited-Term Bond-II Class	2,121	4,239
Distributions reinvested		
Limited-Term Bond Class	2,812	5,532
Limited-Term Bond-II Class	58	105
Shares redeemed		
Limited-Term Bond Class	(23,040)	(99,533)
Limited-Term Bond-II Class	(3,290)	(5,403)
Increase (decrease) in net assets from capital share transactions	6,255	(30,420)
Net Assets		
Increase (decrease) during period	6,848	(30,225)
Beginning of period	400,943	431,168
End of period	**$ 407,791**	**$ 400,943**
Undistributed (overdistributed) net investment income	(455)	–
*Share information		
Shares sold		
Limited-Term Bond Class	5,697	13,296
Limited-Term Bond-II Class	440	875
Distributions reinvested		
Limited-Term Bond Class	581	1,137
Limited-Term Bond-II Class	12	22
Shares redeemed		
Limited-Term Bond Class	(4,759)	(20,473)
Limited-Term Bond-II Class	(682)	(1,118)
Increase (decrease) in shares outstanding	1,289	(6,261)

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 (Limited-Term Bond Portfolio Class) and the Limited-Term Bond Portfolio–II (Limited-Term Bond Portfolio–II Class). Limited-Term Bond Portfolio–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 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. A capital gain distribution may also be declared and paid by the fund annually.

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.

New Accounting Guidance In October 2016, the Securities and Exchange Commission (SEC) issued a new rule, *Investment Company Reporting Modernization*, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements related to periods ending on or after August 1, 2017; adoption will have no effect on the fund's net assets or results of operations.

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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

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) is an internal committee that has been delegated certain responsibilities 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 an independent pricing service or independent swap dealers 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, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	**Significant Observable Inputs**	**Significant Unobservable Inputs**	
Assets				
Investments in Securities, except:	$ –	$ 392,245	$ –	$ 392,245
Short-Term Investments	6,608	9,049	–	15,657
Total Securities	6,608	401,294	–	407,902
Swaps	–	5	–	5
Total	$ 6,608	$ 401,299	$ –	$ 407,907
Liabilities				
Futures Contracts	$ 18	$ –	$ –	$ 18

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2017.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2017, 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, 2017, 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*	$ 27
Credit derivatives	Bilateral Swaps, and Premiums	5
Total		$ 32
Liabilities		
Interest rate derivatives	Futures*	$ 71

*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, 2017, 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	$ (102)	$ –	$ (102)
Credit derivatives	–	1	1
Total	$ (102)	$ 1	$ (101)
Change in Unrealized Gain / Loss			
Interest rate derivatives	$ (52)	$ –	$ (52)
Credit derivatives	–	(1)	(1)
Total	$ (52)	$ (1)	$ (53)

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 specified by the clearinghouse and the clearing firm (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearinghouse and clearing firm, 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 require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs provide 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 termination of transactions and net settlement upon the occurrence of contractually specified 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 specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount settled. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with a 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 typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is 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 at the fund's custodian. As of June 30, 2017, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2017 securities valued at $223,000 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, 2017, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 15% and 23% 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 bilateral swaps, premiums paid or received are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. 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, 2017, 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 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, 2017, 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.

Collateralized Loan Obligations The fund may invest in collateralized loan obligations (CLOs) which are entities backed by a diversified pool of syndicated bank loans. The cash flows of the CLO can be split into multiple segments, called "tranches" or "classes", which will vary in risk profile and yield. The riskiest segments, which are the subordinate or "equity" tranches, bear the greatest risk of loss from defaults in the underlying assets of the CLO and serve to protect the other, more senior, tranches. Senior tranches will typically have higher credit ratings and lower yields than the securities underlying the CLO. Despite the protection from the more junior tranches, senior tranches can experience substantial losses.

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 $86,938,000 and $85,446,000, respectively, for the six months ended June 30, 2017. Purchases and sales of U.S. government securities aggregated $17,880,000 and $15,695,000, respectively, for the six months ended June 30, 2017.

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, 2016, the fund had $2,746,000 of available capital loss carryforwards.

At June 30, 2017, the cost of investments for federal income tax purposes was $407,557,000. Net unrealized gain aggregated $305,000 at period-end, of which $1,403,000 related to appreciated investments and $1,098,000 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 other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest in the T. Rowe Price Government Reserve Fund, the T. Rowe Price Treasury Reserve Fund, or the T. Rowe Price Short-Term Fund (collectively, the Price Reserve Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve 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 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, 2017, 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

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

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In that regard, at an in-person meeting held on March 6–7, 2017 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

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 took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2016, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider 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 fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price 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.

Approval of Investment Management Agreement (continued)

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. 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 and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and non-management expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group); and (ii) total expenses, actual management fees, and non-management expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Advisor after paying the fund's operating expenses, as well as any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflects the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fifth quintile (Expense Group), the fund's actual management fee rate ranked in the fifth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fifth quintile (Expense Group and Expense Universe). The Board requested additional information from management with respect to the fund's relative management fees and total expenses ranking in the fifth quintile for the Expense Group and Expense Universe and reviewed and considered the information provided relating to the fund, other funds in the peer groups, and other factors that the Board determined to be relevant.

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 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).

T. Rowe Price
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

201708-229548

E303-051 8/17

June 30, 2017

Semiannual Report

Personal Strategy Balanced Portfolio

T.RowePrice®
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 Personal Strategy Balanced Portfolio

Highlights

- U.S. and international stock markets surged in the first six months of 2017 as a recovery in corporate earnings and improving global growth pushed the major benchmarks to record levels. Emerging markets stocks outpaced developed stocks as a pickup in global trade lifted the outlook for export-driven economies.
- U.S. investment-grade bonds posted a modest positive return, but high yield bonds performed even better amid buoyant demand for riskier assets. Non-U.S. dollar-denominated debt advanced as most global currencies strengthened against the dollar. Emerging markets bonds also performed strongly.
- The Personal Strategy Balanced Portfolio returned 9.40% for the six months ended June 30, 2017, outperforming its combined index benchmark and Lipper peer group average.
- Financial markets face many geopolitical and macroeconomic headwinds in the near term, but we expect that the broadening of global growth that started at the end of 2016 will continue for several quarters, albeit at modest levels, as increased trade benefits export-oriented developed and emerging economies. We believe that the Personal Strategy Balanced Portfolio's broadly diversified holdings offer value in an environment of economic and policy uncertainty.

Dear Investor

A recovery in world economic growth starting at the end of 2016 gained momentum this year, lifting global financial markets in the first half of 2017. U.S. stocks surged as major market indexes set new records against a backdrop of improving corporate earnings and economic growth. Stocks in international developed and emerging markets rallied as the global recovery translated into increased trade, benefiting Japan and Europe as well as export-driven economies across the developing world. In fixed income, U.S. investment-grade bonds posted modestly positive returns amid rising short-term interest rates and strong demand for U.S. debt in a low-yielding environment globally. High yield bonds outpaced their investment-grade peers as oil prices stabilized well above prior-year levels and risk sentiment stayed resilient. Non-U.S. dollar-denominated debt surged as most global currencies strengthened against the dollar, driven by expectations of rising interest rates in overseas developed markets. Emerging markets bonds also performed well as relatively higher interest rates in developing countries drew yield-seeking investors.

Performance Comparison

Six-Month Period Ended 6/30/17	Total Return
Personal Strategy Balanced Portfolio	9.40%
Morningstar Moderate Target Risk Index	6.90
Combined Index benchmark*	6.99
Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	6.62

*For a definition of the benchmark, please see the glossary.

In this supportive global environment, the Personal Strategy Balanced Portfolio returned 9.40% for the six months ended June 30, 2017, exceeding the 6.99% return of its combined index benchmark and the 6.62% return of its Lipper peer group average.

The Personal Strategy Balanced Portfolio's performance versus its peers over longer time periods remained solid: The portfolio is in the top decile of its Lipper peer group for the trailing one-year period, the top quartile in the trailing 3- and 10-year periods, and the top quintile in the trailing five-year period. Based on cumulative total return, Lipper ranked the Personal Strategy Balanced Portfolio 15 of 267, 61 of 254, 41 of 210, and 27 of 126 variable annuity underlying mixed-asset target allocation moderate funds for the 1-, 3-, 5-, and 10-year periods ended June 30, 2017, respectively. *(Past performance cannot guarantee future results.)*

Security selection in the portfolio's underlying investments contributed the most to outperformance against the combined index benchmark. Selection in the portfolio's U.S. large-cap growth stocks added the most to relative returns, followed by selection in large-cap value stocks. Selection in international developed and emerging markets stocks also helped relative performance, as these underlying portfolios outpaced their respective benchmarks in the year's first half. On the other hand, selection in real assets equities and U.S. investment-grade bonds detracted from relative returns, since both underlying portfolios trailed their respective benchmarks over the period.

The inclusion of diversifying sectors that are not part of the portfolio's broad fixed income benchmark also helped relative performance. Our exposure to international developed markets bonds added value as most global currencies appreciated against the dollar this year, producing good returns in non-U.S. dollar-denominated debt. Our allocations to emerging markets bonds and high yield bonds also contributed to relative returns. Both asset classes performed well as risk appetite stayed healthy and investors gravitated toward their relatively higher yields. On the other hand, an allocation to real assets detracted from relative performance as real assets equities lagged the blended equity benchmark over the period. Tactical decisions to overweight and underweight asset classes had a modestly positive impact on relative returns.

Market Environment

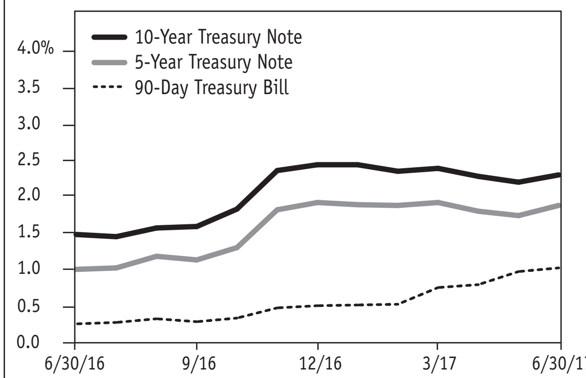
Growing evidence of stronger growth worldwide provided a positive backdrop for global financial markets in the year's first half. U.S. stocks surged as the postelection rally continued into 2017, pushing the S&P 500 Index to record levels in June, lifted by a long-awaited earnings recovery and hopes for expansionary fiscal policies under the Trump administration. Large-cap shares outperformed their smaller peers and growth stocks exceeded value stocks across all market capitalizations. The U.S. economy grew at an upwardly revised 1.4% annual pace in this year's first quarter, continuing a modest growth trend since the recession ended in mid-2009. Citing an improving labor market, the Federal Reserve raised short-term interest rates by 25 basis points in March and June and signaled one more rate hike this year if the economy performs in line with its forecast.

Major Index Returns

Six-Month Period Ended 6/30/17	
S&P 500 Index	9.34%
MSCI All Country World Index ex USA	14.45
MSCI Emerging Markets Index	18.60
Bloomberg Barclays U.S. Aggregate Bond Index	2.27
Citigroup 3-Month Treasury Bill Index	0.30
Credit Suisse High Yield Index	4.37

Note: Unlike stocks and bonds, U.S. Treasuries are guaranteed as to the timely payment of principal and interest.

Interest Rate Levels



Source: Federal Reserve Board.

Stocks in developed European markets rose as corporate earnings and economic growth picked up across the Continent. The eurozone economy grew at a revised 1.9% pace in the first three months of 2017 from a year ago, the currency bloc's fastest growth rate in two years. Against a backdrop of an improving economy, speculation mounted that the European Central Bank would start winding down its bond-buying program, though the ECB affirmed its plan to keep buying bonds at least until year-end. Japanese stocks advanced as its economy gained momentum. Japan's gross domestic product expanded for the fifth straight quarter in the first three months of 2017—its longest growth streak in more than a decade—fueled by export demand and domestic spending. Japan continued to struggle with deflation, however, and its central bank introduced a 0% target rate on 10-year government bonds in an effort to control the yield curve—the latest of many unprecedented actions intended to generate sustained growth and inflation.

Emerging markets stocks rallied as signs of economic recovery worldwide instilled confidence in the global growth outlook. Emerging markets assets plunged last November shortly after the U.S. election as worries about protectionism and rising U.S. interest rates caused a sell-off in developing world assets. However, the asset class rebounded in subsequent months as steady growth in China, improved earnings growth, and stable commodity prices revived investors' risk appetite.

U.S. investment-grade bonds generated slightly positive returns. Despite the Fed's two rate hikes, longer-term Treasury yields fell and bond prices rose this year as inflation stayed tame and investors surmised that the Trump administration's expansionary fiscal agenda would take longer than expected to materialize. (Bond prices and yields move in opposite directions.) The yield on the benchmark 10-year note fell to 2.31% at the end of June from 2.45% at the end of 2016. High yield bonds rallied as they benefited from commodity prices stabilizing well above their lows in early 2016 and strong demand in an environment of low yields on government bonds in most developed markets.

Non-U.S. dollar-denominated bonds in developed markets outpaced U.S. investment-grade issues as most currencies appreciated against the dollar, bolstering the returns of non-U.S. developed markets debt in dollar terms. The euro, British pound, and Japanese yen rallied against the dollar this year as expectations grew that several major central banks worldwide were preparing to tighten monetary policy. The gains in most currencies versus the dollar helped offset declining prices of government bonds in local currency terms as yields increased in many developed markets. Dollar-denominated emerging markets bonds produced strong returns, overcoming a postelection sell-off, as relatively higher interest rates in developing countries attracted yield-seeking investors.

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.

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 left valuations at or above fair value in many asset classes, reducing the number of compelling investment opportunities. Nevertheless, we are still finding opportunities in select areas where valuations appear more attractive and have reduced allocations where we see potential risks.

As of June 30, 2017, we are underweight stocks relative to bonds. We initiated this underweight in January after last November's postelection stock market rally and further reduced our exposure in subsequent months, as we believed that stock valuations and earnings forecasts appeared extended against a backdrop of low growth and greater policy uncertainty. As for bonds, we expect modest returns given that the current low-yield environment offers a weak foundation for future returns and the potential for capital losses as interest rates rise. However, we believe that any rise in U.S. interest rates will be limited as economic growth remains subdued. Strong demand for U.S. bonds for their added yield over other developed markets bonds should also restrain a rise in long-term yields.

Stocks

Over the past six months, we gradually increased our overweight to international stocks relative to U.S. stocks based on signs of improving economic fundamentals and stronger earnings growth outside the U.S., particularly in Europe. Europe is benefiting from greater political certainty following Emmanuel Macron's presidential election victory in France, stronger economic growth, and accommodative monetary policies. In Japan, we believe that valuations are the most attractive among developed stock markets. Moreover, Japanese stocks stand to benefit from greater emphasis on shareholder-friendly policies and corporate governance, as evidenced by higher dividend payouts and more representation of outside directors. We stayed underweight to emerging markets stocks relative to developed markets over the period. Our positioning reflects the risk of a renewed decline in energy and commodity prices for emerging markets, as well as concerns about protectionist trade policies and the adverse impact of rising interest rates in developed markets.

Portfolio Overview

	Percent of Net Assets 6/30/17
Reserves	4.5%
Bonds	37.5%
Stocks	58.0%
Largest Stock Holdings	
Amazon.com	1.5
Microsoft	1.2
Alphabet	1.2
JPMorgan Chase	1.0
Facebook	0.9
Priceline	0.8
Philip Morris International	0.8
Morgan Stanley	0.8
Alibaba Group Holding	0.6
Tyson Foods	0.6

Note: The information shown does not reflect any exchange-traded funds, cash reserves, or collateral for securities lending that may be held in the portfolio.

We maintained an underweight to real assets equities given our cautious outlook for energy and commodity prices. Despite ongoing efforts to curb output by the world's top oil producers, prices are still under pressure from persistent global oversupply as rising prices encourage U.S. producers to increase production. Additionally, industrial metals demand will likely stay subdued as China rebalances its economy to reduce its dependency on industrial production.

We initiated an overweight to U.S. small-cap stocks relative to large-caps in the spring, departing from our longstanding underweight to the asset class. We made the change based on improving relative valuations for small-caps, which have lagged large-cap stocks since the start of 2017 amid diminished expectations for pro-growth policies. We maintained an overweight to U.S. growth versus value stocks due to more attractive valuations for growth stocks, as well as our expectations for a low-growth environment. While stepped-up spending, tax cuts, and deregulation espoused by the Trump administration would benefit value sectors like financials and energy, the timing and scope of these proposals remain uncertain.

Security selection in the portfolio's U.S. large-cap growth and value stocks added the most to relative performance**.** Technology stocks led contributors as investors piled into fast-growing tech companies on hopes that they would outperform the overall economy. **Amazon.com**, **Microsoft**, **Facebook**, and Google parent company **Alphabet** ranked among the top contributors on an absolute basis. Banks and insurers such as **JPMorgan Chase**, **State Street**, and **XL Group** added value as investors deemed that they would benefit from rising interest rates and financial deregulation under the Trump administration. Among non-U.S. holdings, Chinese e-commerce leader **Alibaba Group** and social media group **Tencent** were sizable contributors as they solidified their dominance in China's online economy. On the other hand, energy companies were the portfolio's biggest decliners as oil prices slumped this year, though they remained above their lows in early 2016. Oil and gas exploration and production companies **Occidental Petroleum** and **EOG Resources** and oil majors **Chevron** and **ExxonMobil** ranked among the biggest absolute detractors. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Bonds

We reduced our overweight to high yield bonds relative to investment-grade bonds to a neutral allocation in the period's first half as spreads in the high yield sector fell below historical averages following strong performance. Despite the yield advantage offered by high yield over investment-grade debt, we think that current yield levels offer limited room for further appreciation and are vulnerable to a downturn in commodity prices.

We moved from overweight to neutral between emerging markets bonds and U.S. investment-grade bonds in February, as valuations for emerging markets bonds grew less compelling following the "risk on" rally since the U.S. election. Though emerging markets have benefited from stronger commodity prices since the start of 2016, concerns about protectionist trade policies, rising interest rates in developed markets, and U.S. dollar strength continue to weigh on the asset class. Furthermore, while developing economies are broadly in better fiscal shape than they were just a few years ago, individual countries differ widely in their fiscal positions, political stability, and reform progress.

We stayed underweight to nondollar bonds relative to U.S. investment-grade bonds over the period. Yields outside the U.S. have increased over the year but remain at historically low levels, leaving developed markets bonds with an unattractive risk/reward trade-off. However, we narrowed our underweight to nondollar bonds in April as economic growth improved in Europe and the ECB is expected to start tapering its bond-buying program, both of which could put upward pressure on yields.

Outlook

We expect that the modest global recovery that began at the end of 2016 will continue as improving global trade boosts export-oriented developed and emerging economies. We are encouraged to see evidence of stronger growth across most developed and emerging markets, an uncommon development in the current economic cycle. This improving economic environment should serve as a supportive catalyst to earnings growth.

Outside the U.S., growth in Europe is expected to improve this year, supported by rising household consumption, improving business investment, and increased global trade. Fears about a disorderly breakup of the euro have receded after mainstream candidates won several key elections this year. Japan's recent growth streak offers evidence that years of unorthodox fiscal and monetary stimulus under "Abenomics" may finally be working, though the country still struggles with weak consumption and low inflation. In emerging markets, growth is expected to pick up as Brazil and Russia exit recession, though recent corruption charges against Brazil's president may slow reform momentum. Growth is expected to moderate in China, which is in the midst of a long-term transition to slower but more sustainable growth as Beijing tries to rebalance the drivers of economic activity.

Our outlook is tempered by several issues that could disrupt global markets in the near term. These risks include a potential misstep in monetary policy by the Fed or the possibility that U.S. fiscal policy will disappoint investors' expectations. Given that U.S. stocks are trading near record price levels based on hopes for infrastructure spending, lower taxes, and deregulation promised by President Trump, any setback regarding the passage of these measures could derail the rally. In Europe, several countries are still grappling with high debt and unemployment, while sovereign risks linger with key elections in Germany and Italy set to occur in the coming months. In emerging markets, the prospect of reduced global trade and cross-border investment flows resulting from a shift toward U.S. protectionism remains a risk, as well as a recent decline in energy prices. Finally, unexpected geopolitical developments could potentially curtail the global recovery, particularly given rising tensions with North Korea and in the South China Sea.

We believe that the broadening of global growth that began late last year will continue, albeit at modest levels, for the next several quarters. Nevertheless, we are mindful of the many geopolitical and policy developments that could undermine the current recovery. Given the numerous crosscurrents affecting global financial markets, we believe that the Personal Strategy Balanced Portfolio's broad diversification and T. Rowe Price's strengths in fundamental research will allow us to continue generating solid returns for investors over the long run.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Charles Shriver
Portfolio manager and chairman of the portfolio's Investment Advisory Committee

July 12, 2017

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

Bloomberg 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 benchmark: An unmanaged portfolio composed of the following underlying indexes as of June 30, 2017:

- *Personal Strategy Balanced*—60% stocks (42% Russell 3000 Index, 18% MSCI All Country World Index ex USA), 30% bonds (Bloomberg 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.

Gross domestic product: The total market value of all goods and services produced in a country in a given year.

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.

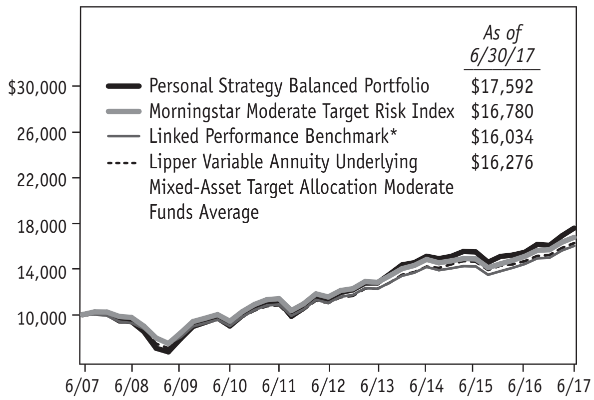
Russell 3000 Index: An index that tracks the performance of the 3,000 largest U.S. companies, representing approximately 98% of the investable U.S. equity market.

S&P 500 Index: An index that tracks the stocks of 500 primarily large-cap U.S. companies.

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 from 7/1/09 forward.

Average Annual Compound Total Return

Periods Ended 6/30/17	1 Year	5 Years	10 Years
Personal Strategy Balanced Portfolio	13.65%	9.27%	5.81%

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 1/1/17	Ending Account Value 6/30/17	Expenses Paid During Period* 1/1/17 to 6/30/17
Actual	$1,000.00	$1,094.00	$4.05
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.93	3.91

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.78%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (181), and divided by the days in the year (365) 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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 19.17	$ 18.73	$ 20.56	$ 21.33	$ 19.55	$ 17.80
Investment activities						
Net investment income[(1)]	0.15[(2)]	0.31[(2)]	0.34[(2)]	0.33[(2)]	0.31[(2)]	0.35[(2)]
Net realized and unrealized gain / loss	1.65	0.89	(0.35)	0.75	3.15	2.33
Total from investment activities	1.80	1.20	(0.01)	1.08	3.46	2.68
Distributions						
Net investment income	(0.16)	(0.32)	(0.36)	(0.36)	(0.32)	(0.38)
Net realized gain	–	(0.44)	(1.46)	(1.49)	(1.36)	(0.55)
Total distributions	(0.16)	(0.76)	(1.82)	(1.85)	(1.68)	(0.93)
NET ASSET VALUE						
End of period	**$ 20.81**	**$ 19.17**	**$ 18.73**	**$ 20.56**	**$ 21.33**	**$ 19.55**

Ratios/Supplemental Data

Total return[(3)]	**9.40%[(2)]**	**6.45%[(2)]**	**(0.05)% [(2)]**	**5.20%[(2)]**	**17.93%[(2)]**	**15.14%[(2)]**
Ratio of total expenses to average net assets	0.78%[(2)(4)]	0.77%[(2)]	0.77%[(2)]	0.77%[(2)]	0.77%[(2)]	0.77%[(2)]
Ratio of net investment income to average net assets	1.47%[(2)(4)]	1.63%[(2)]	1.66%[(2)]	1.51%[(2)]	1.47%[(2)]	1.82%[(2)]
Portfolio turnover rate	28.7%	75.4%	71.5%	62.1%	57.4%	58.1%
Net assets, end of period (in thousands)	$ 168,597	$ 159,611	$ 163,344	$ 188,404	$ 182,514	$ 159,271

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 6. Excludes expenses permanently waived 0.12%, 0.13%, 0.13%, 0.13%, 0.13%, and 0.13%, of average net assets for the six months ended 6/30/17 and the years ended 12/31/16, 12/31/15, 12/31/14, 12/31/13, and12/31/12, 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, 2017 (Unaudited)

(Cost and value in $000s)

	Shares/Par	$ Value
COMMON STOCKS 53.3%		
Consumer Discretionary 7.3%		
Auto Components 0.4%		
Aisin Seiki (JPY)	1,300	67
Autoliv, GDR (SEK)	1,105	121
Delphi Automotive	1,410	124
Gentherm (1)	1,508	58
GKN (GBP)	24,134	103
Koito Manufacturing (JPY)	900	47
Magna International	1,100	51
Sumitomo Rubber Industries (JPY)	3,800	64
		635
Automobiles 0.6%		
BMW (EUR)	1,140	106
Ferrari	956	82
Honda Motor (JPY)	8,400	230
Suzuki Motor (JPY)	3,100	148
Tesla (1)	783	283
Toyota Motor (JPY)	3,500	184
		1,033
Distributors 0.0%		
Core-Mark Holding	1,180	39
		39
Diversified Consumer Services 0.1%		
American Public Education (1)	590	14
Chegg (1)	3,695	45
		59
Hotels, Restaurants & Leisure 1.0%		
Bojangles (1)	644	10
Compass Group (GBP)	8,661	183
Denny's (1)	3,640	43
Domino's Pizza	72	15
Fiesta Restaurant (1)	1,139	24
Hilton Grand Vacations (1)	790	29
Hilton Worldwide Holdings	1,698	105
Jack in the Box	460	45
Las Vegas Sands	1,311	84
Marriott, Class A	2,124	213
McDonald's	340	52
MGM Resorts International	3,466	108
Norwegian Cruise Line Holdings (1)	2,768	150
Red Robin Gourmet Burgers (1)	661	43
Royal Caribbean Cruises	1,405	153
Sonic	2,667	71
Starbucks	2,687	157
Wingstop	1,390	43
Yum! Brands	2,640	195
		1,723
Household Durables 0.4%		
Lennar, Class A	2,080	111
Panasonic (JPY)	14,200	193
Persimmon (GBP)	5,943	174
Sony (JPY)	2,200	84
Tempur Sealy International (1)	1,410	75
Tri Pointe (1)	1,983	26
		663
Internet & Direct Marketing Retail 2.6%		
Amazon.com (1)	2,623	2,539
Ctrip.com International ADR (1)	3,019	163
Etsy (1)	970	14
Liberty TripAdvisor Holdings (1)	2,120	25
Netflix (1)	1,824	272
Priceline (1)	717	1,341
		4,354
Leisure Products 0.0%		
Nautilus Group (1)	460	9
		9
Media 0.8%		
Cable One	64	45

	Shares/Par	$ Value
(Cost and value in $000s)		
Charter Communications Class A (1)	8	3
Comcast, Class A	5,310	207
CyberAgent (JPY)	3,000	93
Eutelsat Communications (EUR)	4,104	105
Liberty Global, Class A (1)	2,664	86
Liberty Global, Series C (1)	3,584	112
Scholastic	554	24
Sky (GBP)	5,291	68
Stroeer SE & Co KGaA (EUR) (2)	689	41
Twenty-First Century Fox	12,300	343
Walt Disney	22	2
WPP (GBP)	9,453	199
		1,328
Multiline Retail 0.1%		
Dollar General	622	45
Lojas Renner (BRL)	8,487	70
Ollies Bargain Outlet Holdings (1)	780	33
Tuesday Morning (1)	3,600	7
		155
Specialty Retail 0.9%		
AutoZone (1)	204	116
Burlington Stores (1)	710	65
Fdo Holdings (1)	106	4
Five Below (1)	620	31
Home Depot	2,421	371
Kingfisher (GBP)	51,473	202
Lowe's	3,606	280
Michaels (1)	2,020	38
Monro Muffler Brake	640	27
O'Reilly Automotive (1)	769	168
RH (1)	559	36
Ross Stores	2,781	161
Tile Shop Holdings	2,290	47
Zumiez (1)	1,240	15
		1,561
Textiles, Apparel & Luxury Goods 0.4%		
Burberry (GBP)	7,453	161

	Shares/Par	$ Value
(Cost and value in $000s)		
Coach	1,073	51
Kering (EUR)	455	155
Moncler (EUR)	4,787	112
Samsonite International (HKD)	30,900	129
Skechers U.S.A., Class A (1)	1,980	59
		667
Total Consumer Discretionary		**12,226**
Consumer Staples 3.8%		
Beverages 0.3%		
Boston Beer, Class A (1)	190	25
Constellation Brands Class A	283	55
Diageo (GBP)	6,958	206
Kirin Holdings (JPY)	7,100	145
Monster Beverage (1)	170	8
PepsiCo	807	93
		532
Food & Staples Retailing 0.6%		
Costco Wholesale	40	6
CVS Health	2,340	188
Performance Food (1)	980	27
Seven & i Holdings (JPY)	4,400	182
Sprouts Farmers Market (1)	969	22
Wal-Mart	3,071	232
Walgreens Boots Alliance	3,061	240
		897
Food Products 1.4%		
Bunge Limited	1,889	141
Cal-Maine Foods (1)	1,542	61
Danone (EUR)	1,550	116
Mondelez International	522	22
Nestle (CHF)	8,300	724
Pinnacle Foods	1,430	85
Post Holdings (1)	590	46
Snyders-Lance	880	30
TreeHouse Foods (1)	570	47
Tyson Foods, Class A	16,204	1,015

(Cost and value in $000s)	Shares/Par	$ Value
Wilmar International (SGD)	51,300	125
		2,412
Household Products 0.1%		
Procter & Gamble	2,144	187
		187
Personal Products 0.5%		
Conyers Park Acquisition Equity Units (1)	1,237	16
L'Oreal (EUR)	1,082	226
Pola Orbis Holdings (JPY)	3,000	79
Unilever (GBP)	9,322	505
		826
Tobacco 0.9%		
British American Tobacco (GBP)	2,409	164
Philip Morris International	11,282	1,325
		1,489
Total Consumer Staples		**6,343**
Energy 1.6%		
Energy Equipment & Services 0.1%		
Diamond Offshore Drilling (1)	1,120	12
Dril-Quip (1)	320	16
Forum Energy Technologies (1)	750	12
Frank's International	1,230	10
NCS Multistage Holdings (1)	170	4
SEACOR Holdings (1)	497	17
SEACOR Marine Holdings (1)	499	10
WorleyParsons (AUD) (1)	8,498	73
		154
Oil, Gas & Consumable Fuels 1.5%		
Advantage Oil & Gas (CAD) (1)	1,808	12
BP, ADR	3,700	128
Centennial Resource Development Acquisition Date: 12/28/16 – 6/8/17 Cost $2 (1)(3)	160	2
Centennial Resource Development Class A (1)	1,063	17
Diamondback Energy (1)	340	30
Enbridge	3,086	123
EOG Resources	4,604	417
Jagged Peak Energy (1)	990	13
Kosmos Energy (1)	622	4
Marathon Petroleum	3,960	207
Matador Resources (1)	1,060	23
Occidental Petroleum	3,790	227
Parsley Energy (1)	750	21
Royal Dutch Shell, B Shares, ADR	3,489	190
Silver Run Acquisition Corp II (1)	860	9
Statoil (NOK)	5,760	96
Total (EUR)	7,047	350
Total, ADR	6,069	301
TransCanada	7,888	376
Venture Global, Series C Acquisition Date: 5/25/17, Cost $7 (1)(3)(4)	2	7
		2,553
Total Energy		**2,707**
Financials 10.5%		
Banks 4.9%		
Atlantic Capital Bancshares (1)	991	19
Australia & New Zealand Banking (AUD)	11,548	255
Bank of NT Butterfield & Son	800	27
BankUnited	2,020	68
Barclays, ADR	4,004	42
Blue Hills Bancorp	614	11
BNP Paribas (EUR)	4,469	322

(Cost and value in $000s)	Shares/Par	$ Value
Bridge Bancorp	880	29
Capital Bank Financial	960	37
Citigroup	10,059	673
Citizens Financial	2,660	95
Commerzbank (EUR) (1)	5,132	61
CU Bancorp (1)	256	9
Danske Bank A Shares (DKK)	4,304	166
DBS Group (SGD)	13,775	207
DNB (NOK)	17,474	297
East West Bancorp	540	32
Erste Group Bank (EUR)	3,089	118
FB Financial (1)	550	20
FB Financial, Acquisition Date: 6/1/17 Cost $9 (1)(3)	280	10
Fifth Third Bancorp	6,430	167
First Hawaiian	904	28
First Republic Bank	1,203	120
Guaranty Bancorp	710	19
Heritage Commerce	1,307	18
Heritage Financial	173	5
Home Bancshares	1,490	37
Hope Bancorp	1,210	23
ING Groep (EUR)	18,908	326
Intesa Sanpaolo (EUR)	57,380	183
JPMorgan Chase	18,101	1,654
KeyCorp	10,291	193
Live Oak Bancshares	744	18
Lloyds Banking Group (GBP)	237,558	205
National Bank of Canada (CAD)	4,700	198
National Commerce (1)	79	3
Nordea Bank (SEK)	20,454	260
Pacific Continental	428	11
Pacific Premier Bancorp (1)	500	18
Park Sterling	1,854	22
Pinnacle Financial Partners	838	53
PNC Financial Services Group	2,113	264
Popular	800	33

(Cost and value in $000s)	Shares/Par	$ Value
Prosperity Bancshares	670	43
Seacoast Banking (1)	1,409	34
Simmons First National	440	23
Standard Chartered (GBP) (1)	10,410	105
Sumitomo Mitsui Trust Holdings (JPY) (2)	4,635	166
Svenska Handelsbanken A Shares (SEK)	17,212	247
Synovus Financial	943	42
Texas Capital Bancshares (1)	610	47
Towne Bank/ Portsmouth VA	1,070	33
Tristate Capital Holdings (1)	750	19
U.S. Bancorp	6,200	322
United Overseas Bank (SGD)	7,100	119
Univest	90	3
Webster Financial	767	40
Wells Fargo	11,183	620
Western Alliance Bancorp (1)	1,510	74
		8,293
Capital Markets 2.4%		
Ameriprise Financial	1,320	168
Bank of New York Mellon	7,757	396
CBOE Holdings	716	65
Charles Schwab	3,531	152
Close Brothers Group (GBP)	1,530	30
CME Group	365	46
Cohen & Steers	570	23
Financial Engines	411	15
GAM Holding (CHF)	5,881	79
Goldman Sachs	20	4
Intercontinental Exchange	8,311	548
Macquarie Group (AUD)	2,180	148
Morgan Stanley	28,377	1,265
S&P Global	345	50
State Street	7,208	647

	Shares/Par	$ Value
(Cost and value in $000s)		
TD Ameritrade Holding	8,830	380
		4,016
Consumer Finance 0.2%		
Credit Saison (JPY)	4,800	94
Encore Capital (1)	1,010	40
Santander Consumer USA Holdings (1)	842	11
SLM Corporation (1)	5,214	60
Synchrony Financial	5,572	166
		371
Diversified Financial Services 0.2%		
Challenger (AUD)	18,073	186
Mitsubishi UFJ Lease & Finance (JPY)	16,100	88
		274
Insurance 2.7%		
AIA Group (HKD)	24,800	181
American International Group	4,133	258
Assured Guaranty	1,474	62
Aviva (GBP)	30,213	207
AXA (EUR)	13,530	370
Chubb	2,148	312
Direct Line Insurance (GBP)	33,844	157
Enstar (1)	130	26
Hanover Insurance Group	235	21
Infinity Property & Casualty	439	41
Marsh & McLennan	4,447	347
MetLife	6,231	342
Munich Re (EUR)	1,106	224
Ping An Insurance H Shares (HKD)	14,500	96
Progressive	1,130	50
Prudential (GBP)	12,109	278
RSA Insurance Group (GBP)	19,321	155
Safety Insurance Group	290	20
Selective Insurance	1,330	67
State Auto Financial	760	20

	Shares/Par	$ Value
(Cost and value in $000s)		
Storebrand (NOK)	19,907	137
Sun Life Financial (CAD)	4,400	157
Tokio Marine Holdings (JPY)	6,300	262
Willis Towers Watson	1,669	243
XL Group	8,934	391
Zurich Insurance Group (CHF)	643	188
		4,612
Mortgage Real Estate Investment Trusts 0.0%		
Hannon Armstrong Sustainable Infrastructure Capital, REIT	790	18
		18
Thrifts & Mortgage Finance 0.1%		
Beneficial Bancorp	1,833	28
Capitol Federal Financial	1,892	27
Clifton Bancorp	550	9
Essent (1)	380	14
Kearny Financial Corp./MD	890	13
Meridian Bancorp	1,313	22
PennyMac Financial Services (1)	450	8
Radian	2,090	34
		155
Total Financials		**17,739**
Health Care 8.4%		
Biotechnology 1.1%		
ACADIA Pharmaceuticals (1)	530	15
Acceleron Pharma (1)	440	13
Advanced Accelerator Applications, ADR (1)	215	8
Alexion Pharmaceuticals (1)	2,442	297
Alkermes (1)	560	33
Aquinox Pharmaceuticals (1)	253	4
Axovant Sciences (1)	321	7
Biogen (1)	749	203
Blueprint Medicines (1)	299	15

(Cost and value in $000s)	Shares/Par	$ Value
Celgene (1)	2,201	286
CSL (AUD)	823	87
Exelixis (1)	1,460	36
Gilead Sciences	1,275	90
Insmed (1)	1,069	18
Ironwood Pharmaceuticals (1)	2,220	42
Kite Pharma (1)	280	29
Prothena (1)	792	43
Radius Health (1)	1,470	67
Regeneron Pharmaceuticals (1)	12	6
SAGE Therapeutics (1)	440	35
Seattle Genetics (1)	340	18
Shire, ADR	875	145
Spark Therapeutics (1)	440	26
TESARO (1)	352	49
Ultragenyx Pharmaceutical (1)	30	2
Vertex Pharmaceuticals (1)	2,555	329
Xencor (1)	695	15
		1,918
Health Care Equipment & Supplies 2.1%		
Abbott Laboratories	4,671	227
Becton, Dickinson & Company	3,326	649
Danaher	7,124	601
Dentsply Sirona	40	3
Elekta, B Shares (SEK)	5,618	53
GN Store Nord (DKK)	5,574	163
Halyard Health (1)	760	30
Hologic (1)	4,900	222
Intuitive Surgical (1)	470	440
K2M Group Holdings (1)	2,796	68
Medtronic	6,222	552
Penumbra (1)	67	6
Sonova (CHF)	279	45
STERIS	700	57
Stryker	2,804	389
Wright Medical (1)	1,775	49
		3,554

(Cost and value in $000s)	Shares/Par	$ Value
Health Care Providers & Services 2.0%		
Acadia Healthcare (1)	750	37
Aetna	5,220	793
Anthem	1,927	362
Centene (1)	690	55
Cigna	1,386	232
Cross Country Healthcare (1)	930	12
Fresenius (EUR)	3,947	339
HCA Healthcare (1)	3,170	276
Henry Schein (1)	26	5
Humana	1,193	287
LifePoint Health (1)	410	28
Miraca Holdings (JPY)	2,000	90
U.S. Physical Therapy	445	27
UnitedHealth Group	3,964	735
WellCare Health Plans (1)	228	41
		3,319
Health Care Technology 0.0%		
HMS Holdings (1)	2,600	48
		48
Life Sciences Tools & Services 0.5%		
Agilent Technologies	4,861	288
Bruker	1,136	33
Illumina (1)	67	12
Thermo Fisher Scientific	2,931	511
		844
Pharmaceuticals 2.7%		
Allergan	1,167	284
Astellas Pharma (JPY)	19,100	234
Bayer (EUR)	4,284	555
Bristol-Myers Squibb	70	4
Catalent (1)	1,019	36
Dermira (1)	320	9
GlaxoSmithKline, ADR	5,300	229
Johnson & Johnson	3,313	438
Merck	11,112	712
Mylan (1)	3,650	142
Novartis, Regulation D Shares (CHF)	5,888	492

(Cost and value in $000s)	Shares/Par	$ Value
Novo Nordisk (DKK)	2,896	124
Pacira Pharmaceuticals (1)	750	36
Perrigo	1,543	117
Pfizer	9,833	330
Roche Holding (CHF)	1,534	392
Sanofi (EUR)	3,278	314
Therapeutics MD (1)	4,020	21
WaVe Life Sciences (1)	466	9
Zoetis	953	59
		4,537
Total Health Care		**14,220**
Industrials & Business Services 5.6%		
Aerospace & Defense 1.1%		
Boeing	4,382	867
BWX Technologies	973	47
General Dynamics	20	4
Harris	1,464	160
Meggitt (GBP)	29,213	181
Moog, Class A (1)	470	34
Northrop Grumman	230	59
Raytheon	24	4
Rockwell Collins	2,604	274
Teledyne Technologies (1)	650	83
Textron	60	3
Triumph Group	630	20
United Technologies	921	112
		1,848
Air Freight & Logistics 0.0%		
FedEx	57	12
		12
Airlines 0.8%		
Alaska Air Group	2,919	262
American Airlines	15,090	759
Delta Air Lines	120	6
United Continental (1)	3,489	263
		1,290
Building Products 0.4%		
AAON	650	24
Fortune Brands Home & Security	1,650	108
Gibraltar Industries (1)	1,144	41
Johnson Controls International	9,947	431
Lennox International	301	55
PGT Innovations (1)	1,754	23
Quanex Building Products	1,236	26
		708
Commercial Services & Supplies 0.2%		
Brinks Company	880	59
Deluxe	160	11
Healthcare Services	320	15
Matthews International Class A	70	4
MSA Safety	580	47
Multi-Color	200	16
Ritchie Bros. Auctioneers	990	29
Stericycle (1)	1,394	107
Team (1)	710	17
Waste Connections	952	61
		366
Construction & Engineering 0.0%		
Comfort Systems USA	330	12
Valmont Industries	311	47
		59
Electrical Equipment 0.5%		
ABB (CHF)	8,566	213
AZZ	810	45
Legrand (EUR)	2,493	174
Mitsubishi Electric (JPY)	23,600	341
Thermon Group Holdings (1)	1,190	23
		796
Industrial Conglomerates 1.1%		
CK Hutchison Holdings (HKD)	17,784	223
DCC (GBP)	1,748	159
GE	500	13
Honeywell International	3,306	441

(Cost and value in $000s)	Shares/Par	$ Value
Koninklijke Philips (EUR)	8,202	292
Roper Technologies	1,611	373
Sembcorp Industries (SGD)	11,509	26
Siemens (EUR)	2,944	405
		1,932
Machinery 0.8%		
Alamo	270	24
Albany International	310	16
Chart Industries (1)	1,240	43
ESCO Technologies	1,060	63
Fortive	3,720	236
Graco	300	33
Illinois Tool Works	412	59
John Bean Technologies	1,017	100
Luxfer Holdings, ADR	1,080	14
Manitowoc (1)	2,060	12
Mueller Water Products	2,640	31
Pentair	1,824	121
RBC Bearings (1)	490	50
Rev Group	678	19
SMC (JPY)	300	92
Stanley Black & Decker	520	73
Sun Hydraulics	390	17
Tennant	310	23
THK (JPY)	6,100	174
Toro	969	67
Wabtec	153	14
Welbilt (1)	1,410	26
		1,307
Marine 0.1%		
Maersk, Series B (DKK)	43	86
Matson	1,190	36
		122
Professional Services 0.2%		
Equifax	630	87
Exponent	400	23
IHS Markit (1)	1,312	58
Recruit Holdings (JPY)	5,700	98
		266

(Cost and value in $000s)	Shares/Par	$ Value
Road & Rail 0.2%		
Canadian Pacific Railway	426	69
Central Japan Railway (JPY)	900	147
CSX	430	23
Knight Transportation	985	36
Landstar System	360	31
Saia (1)	574	29
Schneider National, Class B	901	20
Union Pacific	15	2
		357
Trading Companies & Distributors 0.2%		
Applied Industrial Technologies	190	11
Mitsubishi (JPY)	6,100	128
Rush Enterprises Class A (1)	720	27
SiteOne Landscape Supply (1)	620	33
Sumitomo (JPY)	17,100	223
Univar (1)	344	10
		432
Total Industrials & Business Services		**9,495**
Information Technology 10.2%		
Communications Equipment 0.2%		
Ciena (1)	1,310	33
Cisco Systems	9,270	290
LM Ericsson B Shares (SEK)	12,370	89
		412
Electronic Equipment, Instruments & Components 0.3%		
CTS	790	17
Hamamatsu Photonics (JPY)	2,000	62
Keysight Technologies (1)	500	20
National Instruments	1,494	60
Novanta (1)	1,755	63
Omron (JPY)	2,900	126
TE Connectivity	1,130	89
		437

	Shares/Par	$ Value
(Cost and value in $000s)		
Internet Software & Services 3.4%		
Alibaba Group Holding ADR (1)	7,249	1,021
Alphabet, Class A (1)	755	702
Alphabet, Class C (1)	1,391	1,264
Baidu, ADR (1)	520	93
Cloudera (1)	60	1
Cloudera, Lock-up Shares Acquisition Date: 2/5/14, Cost $4 (1)(3)	292	4
Coupa Software (1)	255	7
Facebook, Class A (1)	10,119	1,528
Five9 (1)	1,740	37
GrubHub (1)	887	39
Kakaku.com (JPY)	3,500	50
MercadoLibre	7	2
NAVER (KRW)	76	56
Okta (1)	170	4
Quotient Technology (1)	1,139	13
SVMK (f/k/a/SurveyMonkey) Acquisition Date: 11/25/14, Cost $4 (1)(3)(4)	226	2
Tencent Holdings (HKD)	19,900	714
Tucows, Class A (1)	172	9
Twilio, Class A (1)	1,050	31
Yahoo! Japan (JPY)	23,600	103
YY, ADR (1)	1,450	84
Zillow, Class A (1)	60	3
Zillow, Class C (1)	120	6
		5,773
IT Services 1.6%		
Booz Allen Hamilton	1,250	41
CSRA	1,500	47
Fidelity National Information	1,742	149
Fiserv (1)	2,599	318
FleetCor Technologies (1)	273	39
Global Payments	650	59
Infosys, ADR	8,500	128
MasterCard, Class A	6,168	749
PayPal Holdings (1)	5,331	286

	Shares/Par	$ Value
(Cost and value in $000s)		
Vantiv, Class A (1)	50	3
Visa, Class A	9,792	918
		2,737
Semiconductors & Semiconductor Equipment 1.5%		
Analog Devices	530	41
Applied Materials	4,600	190
ASML Holding (EUR)	944	123
Broadcom	3,854	898
Cavium (1)	520	32
Inphi (1)	380	13
KLA-Tencor	472	43
Lattice Semiconductor (1)	2,467	16
MACOM Technology Solutions Holdings (1)	360	20
Microchip Technology	940	73
Microsemi (1)	987	46
MKS Instruments	170	12
PDF Solutions (1)	1,209	20
Qualcomm	5,906	326
Rambus (1)	2,160	25
Renesas Electronics (JPY) (1)	6,800	60
Semtech (1)	780	28
Taiwan Semiconductor Manufacturing (TWD)	43,219	295
Tokyo Electron (JPY)	1,500	203
Xilinx	90	6
		2,470
Software 2.6%		
Activision Blizzard	50	3
Blackbaud	190	16
Computer Modelling (CAD)	870	7
Cyber-Ark Software (1)	770	38
Descartes Systems (1)	2,180	53
Electronic Arts (1)	1,750	185
Ellie Mae (1)	478	53
Guidewire Software (1)	1,080	74
Intuit	1,271	169
Microsoft	30,081	2,073
MuleSoft, Class A (1)	339	8

	Shares/Par	$ Value
(Cost and value in $000s)		
Paylocity Holding (1)	80	4
Proofpoint (1)	990	86
Red Hat (1)	2,492	239
RingCentral, Class A (1)	587	21
Salesforce.com (1)	5,777	500
ServiceNow (1)	3,645	386
Snap Inc., Class A (1)(2)	140	3
SS&C Technologies Holdings	2,760	106
Synopsys (1)	2,050	150
Tableau Software Class A (1)	636	39
Workday (1)	1,280	124
Zendesk (1)	350	10
		4,347
Technology Hardware, Storage & Peripherals 0.6%		
Apple	4,618	665
Hewlett Packard Enterprise	1,300	22
Samsung Electronics (KRW)	101	210
Western Digital	1,039	92
		989
Total Information Technology		**17,165**
Materials 1.7%		
Chemicals 0.8%		
Air Liquide (EUR)	1,106	137
Asahi Kasei (JPY)	16,000	173
BASF (EUR)	1,621	150
CF Industries	6,000	168
Covestro (EUR)	1,096	79
EI du Pont de Nemours	3,539	286
Minerals Technologies	500	37
PolyOne	600	23
PPG Industries	30	3
Sherwin-Williams	188	66
Tosoh (JPY)	4,000	41
Umicore (EUR)	1,500	104
		1,267

	Shares/Par	$ Value
(Cost and value in $000s)		
Construction Materials 0.0%		
Martin Marietta Materials	60	14
		14
Containers & Packaging 0.5%		
Amcor (AUD)	11,587	144
Ball	9,024	381
International Paper	4,975	282
		807
Metals & Mining 0.3%		
Antofagasta (GBP)	6,698	70
BHP Billiton (GBP)	6,824	105
BHP Billiton Limited (AUD)	2,080	37
Compass Minerals	130	8
Franco-Nevada (CAD)	220	16
Haynes International	720	26
Independence (AUD)	31,933	77
Northern Star Resources (AUD)	1,319	5
Osisko Gold Royalties (CAD)	1,570	19
Petra Diamonds (GBP) (1)	2,748	4
Rio Tinto (AUD)	1,421	69
South32 (AUD)	47,627	98
Tahoe Resources (CAD)	1,130	10
		544
Paper & Forest Products 0.1%		
Clearwater Paper (1)	210	10
Louisiana Pacific (1)	880	21
Stora Enso, Class R (EUR)	9,876	128
West Fraser Timber (CAD)	160	7
		166
Total Materials		**2,798**
Real Estate 1.1%		
Equity Real Estate Investment Trusts 1.0%		
Acadia Realty Trust, REIT	610	17
American Campus Communities, REIT	770	36
American Tower, REIT	3,709	491

(Cost and value in $000s)	Shares/Par	$ Value
CatchMark Timber Trust, Class A, REIT	960	11
Chesapeake Lodging Trust, REIT	670	16
Corporate Office Properties Trust, REIT	880	31
EastGroup Properties, REIT	640	54
Education Realty Trust, REIT	350	13
Equinix, REIT	212	91
Equity Commonwealth REIT (1)	1,210	38
Great Portland Estates (GBP)	6,884	54
Outfront Media, REIT	410	9
Paramount, REIT	1,600	26
PS Business Parks, REIT	593	78
Regency Centers, REIT	383	24
Retail Opportunity Investments, REIT	1,740	33
SBA Communications REIT (1)	80	11
Scentre (AUD)	40,206	125
Unibail-Rodamco (EUR) (2)	622	157
Urban Edge Properties, REIT	830	20
VEREIT, REIT	16,201	132
Weyerhaeuser, REIT	4,694	157
		1,624
Real Estate Management & Development 0.1%		
Alexander & Baldwin	840	35
Colliers International	21	1
FirstService	826	53
Mitsui Fudosan (JPY)	4,800	115
RE/MAX Holdings, Class A	410	23
		227
Total Real Estate		**1,851**
Telecommunication Services 1.0%		
Diversified Telecommunication Services 0.7%		
KT (KRW)	3,605	116
Nippon Telegraph & Telephone (JPY)	9,500	448
Tele Danmark (DKK)	29,709	173
Telecom Italia (EUR)	114,014	84
Telefonica (EUR)	14,185	147
Telefonica Deutschland Holding (EUR)	38,809	194
Telstra (AUD)	10,542	35
		1,197
Wireless Telecommunication Services 0.3%		
America Movil, Class L ADR	5,000	80
Softbank (JPY)	1,500	122
Vodafone, ADR	10,509	302
		504
Total Telecommunication Services		**1,701**
Utilities 2.0%		
Electric Utilities 1.3%		
American Electric Power	5,023	349
Eversource Energy	2,776	169
Exelon	10,540	380
NextEra Energy	2,364	331
PG&E	8,380	556
PNM Resources	1,700	65
Portland General Electric	1,050	48
Southern Company	2,900	139
SSE (GBP)	4,373	83
Westar Energy	1,800	95
		2,215
Gas Utilities 0.1%		
Atmos Energy	636	53
Chesapeake Utilities	320	24
ONE Gas	1,300	91
South Jersey Industries	520	18
Southwest Gas Holdings	530	38
		224
Independent Power & Renewable Electricity Producers 0.1%		
Electric Power Development (JPY)	4,200	104

(Cost and value in $000s)	Shares/Par	$ Value
Nextera Energy Partners, Partnership	560	21
NRG Energy	1,160	20
		145
Multi-Utilities 0.5%		
DTE Energy	1,407	149
E.ON (EUR)	6,683	63
Engie (EUR)	12,805	193
National Grid (GBP)	15,065	187
NiSource	3,000	76
NorthWestern	260	16
Sempra Energy	1,356	153
		837
Water Utilities 0.0%		
California Water Service Group	1,030	37
Middlesex Water	14	1
		38
Total Utilities		**3,459**
Total Miscellaneous Common Stocks 0.1% (5)		**117**
Total Common Stocks (Cost $54,292)		**89,821**
CONVERTIBLE PREFERRED STOCKS 0.1%		
Health Care 0.0%		
Health Care Equipment & Supplies 0.0%		
Becton Dickinson Series A (1)	1,149	63
Total Health Care		**63**
Information Technology 0.0%		
Internet Software & Services 0.0%		
Cargurus, Series D Acquisition Date: 7/7/15, Cost $5 (1)(3)(4)	111	6
Cargurus, Series E Acquisition Date: 8/23/16, Cost $3 (1)(3)(4)	57	3
MongoDB, Series F Acquisition Date: 10/2/13, Cost $4 (1)(3)(4)	232	2
VROOM, Series F Acquisition Date: 6/30/17, Cost $8 (1)(3)(4)	480	8
		19
Software 0.0%		
Plex Systems, Series B Acquisition Date: 6/9/14, Cost $5 (1)(3)(4)	2,270	5
		5
Total Information Technology		**24**
Utilities 0.1%		
Electric Utilities 0.1%		
NextEra Energy	2,208	117
Total Utilities		**117**
Total Convertible Preferred Stocks (Cost $191)		**204**
CORPORATE BONDS 8.0%		
Abbott Laboratories 3.75%, 11/30/26	95,000	97
AbbVie 3.20%, 5/14/26	30,000	30
AbbVie 3.60%, 5/14/25	25,000	25
AbbVie 4.45%, 5/14/46	105,000	108
Activision Blizzard 4.50%, 6/15/47	60,000	60
Alexandria Real Estate Equities 3.95%, 1/15/27	40,000	41
Alexandria Real Estate Equities 3.95%, 1/15/28	65,000	66
Alibaba Group Holding 3.60%, 11/28/24	200,000	206
American Airlines PTT Series 2013-1, Class A 4.00%, 1/15/27	20,641	21

(Cost and value in $000s)	Shares/Par	$ Value
American Airlines PTT Series 2014-1, Class B 4.375%, 4/1/24	3,896	4
American Airlines PTT Series 2015-1, Class B 3.70%, 11/1/24	12,101	12
American Airlines PTT Series 2016-1, Class AA 3.575%, 7/15/29	14,621	15
American Airlines PTT Series 2017-1, Class B 4.95%, 8/15/26	70,000	72
Anheuser-Busch InBev Finance 4.90%, 2/1/46	210,000	238
Anthem 3.50%, 8/15/24	85,000	87
Apple 3.00%, 2/9/24	40,000	40
Apple 3.20%, 5/13/25	45,000	46
Apple 4.25%, 2/9/47	20,000	21
APT Pipelines 3.875%, 10/11/22 (6)	35,000	36
Arconic 6.15%, 8/15/20	80,000	86
Arrow Electronics 3.50%, 4/1/22	30,000	31
Avnet Electronic 4.625%, 4/15/26	40,000	42
Baidu 2.875%, 7/6/22	200,000	199
Bank of America 3.248%, 10/21/27	65,000	63
Bank of America 3.30%, 1/11/23	240,000	245
Bank of America, VR 3.824%, 1/20/28	75,000	76
Bank of America, VR 4.244%, 4/24/38	95,000	98
Bank of America 4.45%, 3/3/26	35,000	36
BBVA Bancomer 4.375%, 4/10/24 (6)	150,000	156
Becton Dickinson 3.363%, 6/6/24	60,000	60
Becton Dickinson 3.70%, 6/6/27	80,000	80
Becton Dickinson 3.734%, 12/15/24	29,000	30

(Cost and value in $000s)	Shares/Par	$ Value
Becton Dickinson 4.669%, 6/6/47	75,000	77
Biogen Idec 4.05%, 9/15/25	65,000	69
BNP Paribas 3.80%, 1/10/24 (6)	205,000	213
Boardwalk Pipelines 3.375%, 2/1/23	15,000	15
Boardwalk Pipelines 4.45%, 7/15/27	20,000	20
Boardwalk Pipelines 4.95%, 12/15/24	35,000	37
Boardwalk Pipelines 5.95%, 6/1/26	10,000	11
Boston Properties 2.75%, 10/1/26	39,000	37
Boston Properties 3.65%, 2/1/26	30,000	30
Brambles USA 4.125%, 10/23/25 (6)	20,000	20
Brixmor Operating Partnership 3.85%, 2/1/25	60,000	59
Brixmor Operating Partnership 3.875%, 8/15/22	65,000	66
Brixmor Operating Partnership 3.90%, 3/15/27	70,000	68
Broadcom 3.625%, 1/15/24 (6)	70,000	72
Broadcom 3.875%, 1/15/27 (6)	10,000	10
Catholic Health Initiatives 2.95%, 11/1/22	20,000	20
CC Holdings 3.849%, 4/15/23	150,000	158
Celgene 3.875%, 8/15/25	60,000	63
Cenovus Energy 4.25%, 4/15/27 (6)	50,000	48
Cenovus Energy 5.40%, 6/15/47 (6)	85,000	79
Charter Communications Operating 4.908%, 7/23/25	55,000	59
Charter Communications Operating 6.484%, 10/23/45	115,000	138
Citigroup 3.50%, 5/15/23	60,000	61
Citigroup, VR 3.887%, 1/10/28	140,000	142

	Shares/Par	$ Value
(Cost and value in $000s)		
CNA Financial 5.875%, 8/15/20	35,000	39
Comcast 3.30%, 2/1/27	60,000	61
Constellation Energy Group 5.15%, 12/1/20	50,000	54
Crown Castle International 5.25%, 1/15/23	35,000	39
Crown Castle Towers 3.663%, 5/15/45 (6)	85,000	87
Crown Castle Towers 6.113%, 1/15/40 (6)	64,000	69
DDR 4.25%, 2/1/26	65,000	63
Delta Air Lines 3.625%, 3/15/22	50,000	51
Delta Air Lines 7.75%, 6/17/21	5,131	6
Delta Air Lines, ETC 4.95%, 5/23/19	4,076	4
Delta Air Lines, Series 2011-1 5.30%, 10/15/20	2,413	3
Delta Air Lines Series 2015-1AA, ETC 3.625%, 1/30/29	32,773	34
Discover Financial Services 3.75%, 3/4/25	120,000	119
Discover Financial Services 4.10%, 2/9/27	110,000	110
Duke Energy 2.65%, 9/1/26	30,000	28
Ecolab 2.70%, 11/1/26	25,000	24
Enbridge, VR 5.50%, 12/1/46	25,000	28
Enbridge 6.00%, 1/15/77	60,000	63
Enel Finance International 4.75%, 5/25/47 (6)	200,000	206
EnLink Midstream Partners 4.85%, 7/15/26	30,000	31
Essex Portfolio 3.375%, 4/15/26	35,000	34
Essex Portfolio 3.625%, 5/1/27	55,000	55
Expedia 5.00%, 2/15/26	100,000	110
Express Scripts Holding 4.50%, 2/25/26	60,000	63
Express Scripts Holding 4.80%, 7/15/46	130,000	133

	Shares/Par	$ Value
(Cost and value in $000s)		
FirstEnergy 3.90%, 7/15/27	40,000	40
FirstEnergy Transmission 4.35%, 1/15/25 (6)	65,000	68
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	20
GATX 4.85%, 6/1/21	35,000	38
Goldman Sachs Group 3.00%, 4/26/22	95,000	96
Goldman Sachs Group 3.50%, 11/16/26	115,000	114
Goldman Sachs Group 5.75%, 1/24/22	110,000	124
Goldman Sachs Group 6.75%, 10/1/37	60,000	78
Great Plains Energy 3.15%, 4/1/22	130,000	131
Great Plains Energy 4.85%, 4/1/47	25,000	26
GTP Acquisition Partners 2.50%, 6/15/45 (6)	100,000	99
Harris 2.70%, 4/27/20	10,000	10
Harris 3.832%, 4/27/25	15,000	15
Harris 4.854%, 4/27/35	75,000	82
Harvard Univ. Presidents & Fellows 3.619%, 10/1/37	20,000	21
Heathrow Funding 4.875%, 7/15/23 (6)	100,000	107
Hess 4.30%, 4/1/27	60,000	59
Holcim 6.00%, 12/30/19 (6)	35,000	38
Humana 3.85%, 10/1/24	110,000	115
Humana 4.95%, 10/1/44	75,000	84
Imperial Tobacco Finance 2.95%, 7/21/20 (6)	200,000	203
ING Bank, VR 4.125%, 11/21/23	205,000	209
International Paper 4.40%, 8/15/47	70,000	70

(Cost and value in $000s)	Shares/Par	$ Value
Interpublic Group of Companies 3.75%, 2/15/23	25,000	26
Interpublic Group of Companies 4.00%, 3/15/22	50,000	52
Interpublic Group of Companies 4.20%, 4/15/24	15,000	16
JPMorgan Chase, VR 2.383%, 10/24/23	205,000	208
JPMorgan Chase 2.95%, 10/1/26	75,000	72
JPMorgan Chase 3.30%, 4/1/26	30,000	30
JPMorgan Chase 3.875%, 9/10/24	61,000	63
JPMorgan Chase 3.90%, 7/15/25	15,000	16
Kaiser Permanente 3.50%, 4/1/22	30,000	31
Keysight Technologies 4.60%, 4/6/27	80,000	84
Kimco Realty 2.80%, 10/1/26	40,000	37
Kimco Realty 3.40%, 11/1/22	10,000	10
Liberty Mutual Group 4.85%, 8/1/44 (6)	95,000	102
Life Technologies 6.00%, 3/1/20	115,000	125
Lockheed Martin 3.55%, 1/15/26	50,000	52
Lockheed Martin 3.60%, 3/1/35	20,000	20
Martin Marietta Materials 4.25%, 7/2/24	65,000	68
Massachusetts Institute of Technology 3.959%, 7/1/38	30,000	33
Mead Johnson Nutrition 4.125%, 11/15/25	35,000	38
Microsoft 4.10%, 2/6/37	60,000	65
Morgan Stanley 3.125%, 7/27/26	30,000	29
Morgan Stanley 3.625%, 1/20/27	85,000	85
Morgan Stanley 3.70%, 10/23/24	20,000	21

(Cost and value in $000s)	Shares/Par	$ Value
Morgan Stanley 3.75%, 2/25/23	120,000	125
Morgan Stanley 4.35%, 9/8/26	110,000	114
Morgan Stanley 4.875%, 11/1/22	225,000	244
MPT Operating Partnership 5.25%, 8/1/26	25,000	26
Newell Rubbermaid 5.50%, 4/1/46	40,000	48
NiSource Finance 4.375%, 5/15/47	62,000	65
O'Reilly Automotive 3.80%, 9/1/22	100,000	105
Omnicom Group 3.60%, 4/15/26	100,000	101
Priceline Group 3.60%, 6/1/26	40,000	40
Priceline Group 3.65%, 3/15/25	60,000	61
Principal Financial Group, VR 4.70%, 5/15/55	70,000	72
QVC 3.125%, 4/1/19	85,000	86
QVC 5.125%, 7/2/22	40,000	42
Regency Centers 3.60%, 2/1/27	25,000	25
Reinsurance Group of America 5.00%, 6/1/21	30,000	33
Reinsurance Group of America 6.45%, 11/15/19	45,000	49
Reynolds American 4.45%, 6/12/25	50,000	54
Reynolds American 5.85%, 8/15/45	30,000	37
Royal Bank of Scotland Group VR, 3.498%, 5/15/23	215,000	216
Sabine Pass Liquefaction 4.20%, 3/15/28 (6)	120,000	121
Sabine Pass Liquefaction 5.00%, 3/15/27	165,000	176
Santander UK 2.875%, 10/16/20	20,000	20
SBA Tower Trust 2.898%, 10/11/44 (6)	45,000	45
SBA Tower Trust 3.156%, 10/10/45 (6)	30,000	30
SBA Tower Trust 3.168%, 4/15/22 (6)	65,000	65

(Cost and value in $000s)	Shares/Par	$ Value
SBA Tower Trust 3.869%, 10/8/49 (6)	80,000	80
Sempra Energy 2.85%, 11/15/20	30,000	30
Shire Acquisition Investments Ireland 2.875%, 9/23/23	95,000	94
Shire Acquisition Investments Ireland 3.20%, 9/23/26	65,000	63
Sirius XM Radio 5.25%, 8/15/22 (6)	105,000	108
Southern Company 2.95%, 7/1/23	80,000	79
Southern Company 3.25%, 7/1/26	67,000	66
Spectra Energy Capital 3.30%, 3/15/23	50,000	50
Spectra Energy Partners 3.375%, 10/15/26	15,000	15
Tencent Holdings 3.80%, 2/11/25	200,000	209
Teva Pharmaceutical Finance III 2.80%, 7/21/23	130,000	126
Teva Pharmaceutical Finance III 3.15%, 10/1/26	70,000	66
Thomson Reuters 3.35%, 5/15/26	55,000	55
Time Warner Cable 6.55%, 5/1/37	45,000	54
Time Warner Cable 6.75%, 6/15/39	65,000	80
Time Warner Cable 7.30%, 7/1/38	5,000	6
Toronto-Dominion Bank, VR 3.625%, 9/15/31	95,000	94
Transurban Finance 3.375%, 3/22/27 (6)	15,000	15
Transurban Finance 4.125%, 2/2/26 (6)	15,000	16
Trinity Acquisition 3.50%, 9/15/21	15,000	15
Tyson Foods 4.55%, 6/2/47	20,000	21
UBS Group Funding Jersey 4.125%, 9/24/25 (6)	200,000	210
Unum Group 3.00%, 5/15/21	20,000	20

(Cost and value in $000s)	Shares/Par	$ Value
US Airways PTT Series 2013-1A 3.95%, 5/15/27	28,194	29
Ventas Realty 3.25%, 10/15/26	60,000	58
VEREIT Operating Partnership 4.60%, 2/6/24	75,000	78
VEREIT Operating Partnership 4.875%, 6/1/26	20,000	21
Verizon Communications 4.272%, 1/15/36	80,000	78
Verizon Communications 4.862%, 8/21/46	140,000	140
Verizon Communications 5.15%, 9/15/23	125,000	139
Visa 4.30%, 12/14/45	115,000	126
Vulcan Materials 4.50%, 6/15/47	63,000	64
Wells Fargo 3.069%, 1/24/23	125,000	126
Western Gas Partners 4.00%, 7/1/22	70,000	72
Willis North America 3.60%, 5/15/24	25,000	25
Woodside Petroleum 3.65%, 3/5/25 (6)	45,000	45
Woodside Petroleum 3.70%, 9/15/26 (6)	40,000	39
WPP Finance 2010 3.625%, 9/7/22	40,000	41
WPP Finance 2010 4.75%, 11/21/21	60,000	65
Total Corporate Bonds (Cost $13,163)		**13,446**
ASSET-BACKED SECURITIES 2.7%		
Ally Auto Receivables Trust Series 2014-1, Class C 2.04%, 12/15/19	15,000	15
Ally Auto Receivables Trust Series 2014-1, Class D 2.48%, 2/15/21	15,000	15
Ally Auto Receivables Trust Series 2014-3, Class A4 1.72%, 3/16/20	85,000	85
Ally Auto Receivables Trust Series 2015-2, Class D 3.01%, 3/15/22 (6)	5,000	5

	Shares/Par	$ Value
(Cost and value in $000s)		
Ally Auto Receivables Trust Series 2016-1, Class C 2.29%, 6/15/21	15,000	15
Ally Auto Receivables Trust Series 2017-2, Class B 2.33%, 6/15/22	5,000	5
Ally Master Owner Trust Series 2015-3, Class A 1.63%, 5/15/20	100,000	100
Ally Master Owner Trust Series 2017-2, Class A, VR 1.554%, 6/15/21	20,000	20
Ally Master Owner Trust Series 2017-3, Class A1, VR 1.574%, 6/15/22	15,000	15
AmeriCredit Automobile Receivables Trust Series 2013-5, Class C 2.29%, 11/8/19	58,957	59
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
AmeriCredit Automobile Receivables Trust Series 2016-1, Class A3 1.81%, 10/8/20	15,000	15
AmeriCredit Automobile Receivables Trust Series 2016-2, Class C 2.87%, 11/8/21	10,000	10
AmeriCredit Automobile Receivables Trust Series 2017-1, Class C 2.71%, 8/18/22	10,000	10
ARI Fleet Lease Trust Series 2017-A, Class A2 1.91%, 4/15/26 (6)	100,000	100
Ascentium Equipment Receivables, Series 2017-1A Class A2 1.87%, 7/10/19 (6)	5,000	5
Ascentium Equipment Receivables, Series 2017-1A Class A3, 2.29%, 6/10/21 (6)	5,000	5
Avis Budget Rental Car Funding, Series 2013-1A Class A, 1.92%, 9/20/19 (6)	100,000	100

	Shares/Par	$ Value
(Cost and value in $000s)		
Avis Budget Rental Car Funding, Series 2013-2A Class A, 2.97%, 2/20/20 (6)	100,000	101
BMW Vehicle Lease Trust Series 2017-1, Class A3 1.98%, 5/20/20	65,000	65
Capital Auto Receivables Asset Trust Series 2014-1, Class C 2.84%, 4/22/19	10,000	10
Capital Auto Receivables Asset Trust Series 2014-1, Class D 3.39%, 7/22/19	40,000	41
Capital Auto Receivables Asset Trust Series 2015-3, Class A2 1.72%, 1/22/19	56,280	56
Capital Auto Receivables Asset Trust Series 2015-4, Class A4 2.01%, 7/20/20	10,000	10
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 2014-1, Class D 2.43%, 8/17/20	75,000	75
CarMax Auto Owner Trust Series 2016-2, Class B 2.16%, 12/15/21	10,000	10
CarMax Auto Owner Trust Series 2016-4, Class A3 1.40%, 8/15/21	65,000	65
CCG Receivables Trust Series 2014-1, Class A2 1.06%, 11/15/21 (6)	10,456	11
CCG Receivables Trust Series 2017-1, Class A2 1.84%, 11/14/23 (6)	100,000	100
Chrysler Capital Auto Receivables Trust Series 2016-BA, Class A2 1.36%, 1/15/20 (6)	18,150	18

(Cost and value in $000s)	Shares/Par	$ Value
Chrysler Capital Auto Receivables Trust Series 2016-BA, Class A3 1.64%, 7/15/21 (6)	20,000	20
CNH Equipment Trust Series 2014-C, Class A4 1.65%, 9/15/21	125,000	125
CNH Equipment Trust Series 2016-C, Class A3 1.44%, 12/15/21	15,000	15
DB Master Finance Series 2015-1A, Class A2I 3.262%, 2/20/45 (6)	48,875	49
Dominos Pizza Master Issuer Series 2012-1A, Class A2 5.216%, 1/25/42 (6)	54,904	55
Elara HGV Timeshare Issuer Series 2014-A, Class A 2.53%, 2/25/27 (6)	34,773	35
Ford Credit Auto Owner Trust Series 2013-C, Class D 2.50%, 1/15/20	45,000	45
Ford Credit Auto Owner Trust Series 2016-C, Class A4 1.40%, 2/15/22	60,000	59
Ford Credit Floorplan Master Owner Trust Series 2014-4, Class B 1.65%, 8/15/19	15,000	15
Ford Credit Floorplan Master Owner Trust Series 2016-5, Class B 2.16%, 11/15/21	37,000	37
Fosse Master Issuer Series 2012-1A, Class 3A1 CMO, VR 2.658%, 10/18/54 (6)	140,283	140
GE Capital Credit Card Master Note Trust Series 2012-2, Class A 2.22%, 1/15/22	100,000	101
GM Financial Auto Lease Series 2015-3, Class A4 1.81%, 11/20/19	110,000	110
GM Financial Auto Lease Series 2017-1, Class A3 2.06%, 5/20/20	50,000	50
Halcyon Loan Advisors Funding, Series HLA 2014-3A, Class AR, CLO, VR 2.40%, 10/22/25 (6)	250,000	250

(Cost and value in $000s)	Shares/Par	$ Value
Hilton Grand Vacation Trust Series 2014-AA, Class A 1.77%, 11/25/26 (6)	38,590	38
HOA Funding Series 2014-1A, Class A2 4.846%, 8/20/44 (6)	47,250	45
Huntington Auto Trust Series 2016-1, Class A3 1.59%, 11/16/20	30,000	30
Huntington Auto Trust Series 2016-1, Class A4 1.93%, 4/15/22	35,000	35
Hyundai Auto Lease Securitization Trust Series 2015-B, Class A4 1.66%, 7/15/19 (6)	100,000	100
Hyundai Auto Lease Securitization Trust Series 2016-C, Class A3 1.49%, 2/18/20 (6)	100,000	100
Jimmy John's Funding Series 2017-1A, Class A21 3.61%, 7/30/47 (6)	25,000	25
Kubota Credit Owner Trust Series 2016-1A, Class A3 1.50%, 7/15/20 (6)	100,000	99
Marriott Vacation Club Owner Trust Series 2014-1A, Class A 2.25%, 9/22/31 (6)	46,383	46
Mercedes-Benz Auto Lease Trust Series 2016-B, Class A3 1.35%, 8/15/19	25,000	25
Mercedes-Benz Auto Lease Trust Series 2017-A, Class A3 1.79%, 4/15/20	40,000	40
MMAF Equipment Finance Series 2014-AA, Class A4 1.59%, 2/8/22 (6)	100,000	100
MMAF Equipment Finance Series 2015-AA, Class A4 1.93%, 7/16/21 (6)	100,000	100
MMAF Equipment Finance Series 2016-AA, Class A4 1.76%, 1/17/23 (6)	100,000	99
Nissan Auto Lease Trust Series 2017-A, Class A3 1.91%, 4/15/20	65,000	65

(Cost and value in $000s)	Shares/Par	$ Value
Nissan Auto Receivables Owner Trust Series 2015-B, Class A4 1.79%, 1/17/22	40,000	40
Santander Drive Auto Receivables Trust Series 2014-3, Class D 2.65%, 8/17/20	10,000	10
Santander Drive Auto Receivables Trust Series 2015-5, Class D 3.65%, 12/15/21	10,000	10
Santander Drive Auto Receivables Trust Series 2017-1, Class A2 1.49%, 2/18/20	20,000	20
Santander Drive Auto Receivables Trust Series 2017-1, Class B 2.10%, 6/15/21	10,000	10
Santander Drive Auto Receivables Trust Series 2017-1, Class C 2.58%, 5/16/22	10,000	10
Sierra Receivables Funding Series 2015-1A, Class A 2.40%, 3/22/32 (6)	28,601	29
Sierra Receivables Funding Series 2015-3A, Class A 2.58%, 9/20/32 (6)	39,757	40
Sierra Receivables Funding Series 2016-1A, Class A 3.08%, 3/21/33 (6)	76,374	77
SLM Student Loan Trust Series 2008-9, Class A, VR 2.656%, 4/25/23	66,027	68
SMART Trust Australia Series 2015-1US, Class A3A 1.50%, 9/14/18	10,032	10
SMART Trust Australia Series 2016-2US, Class A3A 1.71%, 3/15/21	70,000	69
SMB Private Education Loan Trust Series 2015-B, Class A2A 2.98%, 7/15/27 (6)	100,000	102
SMB Private Education Loan Trust Series 2015-C, Class A2A 2.75%, 7/15/27 (6)	100,000	101
SMB Private Education Loan Trust Series 2016-B, Class A2A 2.43%, 2/17/32 (6)	100,000	99
Synchrony Credit Card Master Note Trust Series 2014-1, Class C 1.91%, 11/15/20	100,000	100
Synchrony Credit Card Master Note Trust Series 2015-4, Class B 2.62%, 9/15/23	25,000	25
Volvo Financial Equipment Series 2016-1A, Class A3 1.67%, 2/18/20 (6)	50,000	50
Wendy's Funding Series 2015-1A, Class A2I 3.371%, 6/15/45 (6)	142,463	144
Wheels Series 2015-1A, Class A2 1.27%, 4/22/24 (6)	66,428	66
World Omni Auto Receivables Trust Series 2017-A, Class A3 1.93%, 9/15/22	130,000	130
Total Asset-Backed Securities (Cost $4,498)		**4,494**
NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 1.8%		
Banc of America Commercial Mortgage, Series 2006-3 Class AM, ARM 5.723%, 7/10/44	31,459	23
Banc of America Mortgage Securities, Series 2004-D Class 2A2, CMO, ARM 3.698%, 5/25/34	2,909	3
Banc of America Mortgage Securities, Series 2004-H Class 2A2, CMO, ARM 3.21%, 9/25/34	3,602	4
Banc of America Mortgage Securities, Series 2004-I Class 3A2, CMO, ARM 3.264%, 10/25/34	1,217	1
Banc of America Mortgage Securities, Series 2005-J Class 2A1, CMO, ARM 3.403%, 11/25/35	16,631	15

(Cost and value in $000s)	Shares/Par	$ Value
Banc of America Mortgage Securities, Series 2005-J Class 3A1, CMO, ARM 3.739%, 11/25/35	5,332	5
Bank of America Mortgage Securities, Series 2004-A Class 2A2, CMO, ARM 3.59%, 2/25/34	3,343	3
Bayview Opportunity Master Fund, Series 2017-RT1, Class A1, CMO, ARM 3.00%, 3/28/57 (6)	95,997	97
BXP Trust Series 2017-GM, Class A 3.379%, 6/13/39 (6)	85,000	87
Chase Funding Mortgage Loan Series 2002-2, Class 1M1 5.599%, 9/25/31	110	—
Citigroup Commercial Mortgage Trust Series 2014-GC21, Class AS 4.026%, 5/10/47	35,000	37
Citigroup Commercial Mortgage Trust Series 2015-GC27, Class AS 3.571%, 2/10/48	15,000	15
Commercial Mortgage PTC Series 2014-CR21, Class A3 3.528%, 12/10/47	75,000	77
Commercial Mortgage PTC Series 2014-UBS6, Class A5 3.644%, 12/10/47	85,000	88
Commercial Mortgage PTC Series 2015-CR24, Class A5 3.696%, 8/10/48	50,000	52
Commercial Mortgage PTC Series 2015-LC21, Class B ARM, 4.455%, 7/10/48	45,000	45
Commercial Mortgage PTC Series 2015-PC1, Class AM ARM, 4.29%, 7/10/50	15,000	16
Commercial Mortgage PTC Series 2015-PC1, Class B ARM, 4.589%, 7/10/50	20,000	20
Commercial Mortgage PTC Series 2016-CR28, Class AHR, 3.651%, 2/10/49	29,730	30
Connecticut Avenue Securities Series 2016-C02, Class 1M1 CMO, ARM, 3.366%, 9/25/28	24,285	25
Connecticut Avenue Securities Series 2016-C06, Class 1M1 CMO, ARM, 2.516%, 4/25/29	28,855	29
Connecticut Avenue Securities Series 2017-C01, Class 1M1 CMO, ARM, 2.516%, 7/25/29	38,969	39
Connecticut Avenue Securities Series 2017-C03, Class 1M1 CMO, ARM 2.166%, 10/25/29	19,341	19
Countrywide Home Equity Loan Trust, Series 2004-BC1 Class M2, ARM 2.821% 1/25/34	2,334	2
Credit Suisse Mortgage Trust Series 2015-GLPB, Class A 3.639%, 11/15/34 (6)	205,000	215
CSAIL Commercial Mortgage Trust, Series 2015-C3 Class A4, 3.718%, 8/15/48	25,000	26
CSAIL Commercial Mortgage Trust, Series 2016-C6 Class A5, 3.09%, 1/15/49	50,000	50
Goldman Sachs Mortgage Securities Trust Series 2015-GC34, Class A4 3.506%, 10/10/48	60,000	62
Goldman Sachs Mortgage Securities Trust Series 2016-GS2, Class A4 3.05%, 5/10/49	55,000	55
GSAA Home Equity Trust Series 2005-8, Class A3 ARM, 1.646%, 6/25/35	27,447	27
JPMorgan Barclays Bank Commercial Mortgage Securities, Series 2014-C19 Class AS, ARM 4.243%, 4/15/47	35,000	37
JPMorgan Barclays Bank Commercial Mortgage Securities, Series 2014-C22 Class A4, 3.801%, 9/15/47	35,000	37
JPMorgan Chase Commercial Mortgage Securities Series 2013-LC11, Class A5 2.96%, 4/15/46	30,000	30
JPMorgan Chase Commercial Mortgage Securities Series 2016-ARTM, Class A 2.962%, 10/5/28 (6)	100,000	100

(Cost and value in $000s)	Shares/Par	$ Value
JPMorgan Chase Commercial Mortgage Securities Series 2016-JP3, Class A5 2.87%, 8/15/49	55,000	54
JPMorgan Chase Commercial Mortgage Securities Series 2016-JP3, Class B ARM, 3.397%, 8/15/49	20,000	20
JPMorgan Chase Commercial Mortgage Securities Series 2017-JP5, Class A5 3.723%, 3/15/50	95,000	99
JPMorgan Deutsche Bank Commercial Mortgage Securities, Series 2016-C2 Class A4, 3.144%, 6/15/49	25,000	25
JPMorgan Deutsche Bank Commercial Mortgage Securities, Series 2017-C5 Class A5, 3.694%, 3/15/50	50,000	52
Liberty Street Trust Series 2016-225L, Class A 3.597%, 2/10/36 (6)	100,000	104
Mill City Mortgage Trust Series 2016-1, Class A CMO, ARM 2.50%, 4/25/57 (6)	83,012	83
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class AS ARM, 4.036%, 5/15/48	10,000	10
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class B ARM, 4.497%, 5/15/48	15,000	15
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class C ARM, 4.497%, 5/15/48	10,000	10
Morgan Stanley Bank of America Merrill Lynch Trust Series 2016-C29, Class A4 3.325%, 5/15/49	25,000	25
Morgan Stanley Capital I Series 2015-MS1, Class AS ARM, 4.164%, 5/15/48	10,000	10
Seasoned Credit Risk Transfer Series 2016-1, Class M1 CMO, ARM 3.00%, 9/25/55 (6)	25,000	24

(Cost and value in $000s)	Shares/Par	$ Value
Structured Agency Credit Risk Debt Notes, Series 2014-HQ3, Class M2, CMO, ARM 3.866%, 10/25/24	64,051	65
Structured Agency Credit Risk Debt Notes, Series 2016-DNA1, Class M2, CMO ARM, 4.116%, 7/25/28	250,000	260
Terwin Mortgage Trust Series 2005-14HE, Class AF2, ARM, 4.849%, 8/25/36	1,705	2
Towd Point Mortgage Trust Series 2015-3, Class A1B CMO, ARM 3.00%, 3/25/54 (6)	56,317	57
Towd Point Mortgage Trust Series 2015-5, Class A1B CMO, ARM 2.75%, 5/25/55 (6)	68,363	69
Towd Point Mortgage Trust Series 2016-1, Class A1B CMO, ARM 2.75%, 2/25/55 (6)	66,028	67
Towd Point Mortgage Trust Series 2017-1, Class A1 CMO, ARM 2.75%, 10/25/56 (6)	92,332	93
WaMu Mortgage PTC Series 2005-AR12, Class 2A1, CMO, ARM 3.126%, 9/25/35	1,902	2
Wells Fargo Commercial Mortgage Trust Series 2015-C29, Class A4 3.637%, 6/15/48	70,000	73
Wells Fargo Commercial Mortgage Trust Series 2015-LC20, Class C ARM, 4.056%, 4/15/50	35,000	33
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 B ARM, 4.392%, 7/15/58	15,000	15
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class C ARM, 4.392%, 7/15/58	10,000	10

(Cost and value in $000s)	Shares/Par	$ Value
Wells Fargo Commercial Mortgage Trust Series 2016-C34, Class A4 3.096%, 6/15/49	70,000	70
Wells Fargo Commercial Mortgage Trust Series 2017-C38, Class B ARM, 3.917%, 7/15/50	100,000	102
Wells Fargo Mortgage Backed Securities Trust, Series 2003-O, Class 5A1, CMO, ARM 2.927%, 1/25/34	4,080	4
Wells Fargo Mortgage Backed Securities Trust, Series 2004-G, Class A3, CMO, ARM 3.349%, 6/25/34	2,868	3
WF-RBC Commercial Mortgage Trust Series 2013-C13, Class A4 3.001%, 5/15/45	60,000	61
WF-RBC Commercial Mortgage Trust Series 2013-C18, Class A3 3.651%, 12/15/46	25,000	26
WF-RBC Commercial Mortgage Trust Series 2014-C20, Class AS 4.176%, 5/15/47	60,000	64
Total Non-U.S. Government Mortgage-Backed Securities (Cost $2,999)		**3,004**

U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 7.2%

U.S. Government Agency Obligations 5.4% (7)

(Cost and value in $000s)	Shares/Par	$ Value
Federal Home Loan Mortgage		
1.426%, 8/25/17	1,886	2
1.875%, 4/25/22	25,543	26
2.50%, 4/1/30	52,706	53
3.00%, 12/1/42 - 7/1/43	320,484	321
3.50%, 8/1/42 - 5/1/46	488,113	504
4.00%, 8/1/40 - 8/1/45	189,719	200
4.50%, 11/1/18 - 5/1/42	184,444	198
5.00%, 10/1/18 - 8/1/40	66,755	73
5.50%, 11/1/18	664	1
6.00%, 7/1/17 - 8/1/38	26,778	29
6.50%, 3/1 - 4/1/32	3,520	4
7.00%, 6/1/32	1,301	1
Federal Home Loan Mortgage, ARM		
3.035%, 9/1/32	210	—
3.369%, 1/1/37	4,129	4
3.409%, 2/1/37	16,676	18
Federal Home Loan Mortgage, CMO, ARM		
1.609%, 10/15/46 - 1/15/47	58,519	59
1.659%, 4/15/46 – 2/15/47	195,314	198
Federal National Mortgage Assn.		
2.50%, 10/1/31 - 6/1/45	349,022	346
3.00%, 6/1/27 - 1/1/47	2,000,491	2,010
3.50%, 5/1/42 - 7/1/47	2,044,595	2,104
4.00%, 1/1/26 - 12/1/45	795,307	839
4.50%, 12/1/20 - 9/1/42	211,331	227
5.00%, 11/1/18 - 11/1/44	322,339	353
5.50%, 7/1/17 - 9/1/41	223,880	250
6.00%, 8/1/21 - 5/1/42	167,556	191
6.50%, 7/1/32 - 5/1/40	72,216	82
7.00%, 4/1/32	685	1
Federal National Mortgage Assn., ARM		
3.305%, 8/1/36	8,396	9
Federal National Mortgage Assn., CMO, ARM		
1.666%, 10/25/46 - 3/25/47	75,381	76
1.716%, 9/25 - 11/25/46	119,892	121
Federal National Mortgage Assn., CMO, IO		
6.50%, 2/25/32	1,270	—
Federal National Mortgage Assn., TBA		
2.50%, 1/1/27	565,000	568
3.50%, 1/1/41	200,000	205
4.00%, 1/1/41	55,000	58
4.50%, 1/1/35	65,000	70
		9,201

U.S. Government Obligations 1.8%

	Shares/Par	$ Value
Government National Mortgage Assn.		
2.50%, 12/20/42 - 3/20/43	273,935	268
3.00%, 9/15/42 - 11/20/46	286,750	290
3.50%, 12/20/42 - 10/20/46	430,352	447
4.00%, 7/20/42 - 5/20/47	939,660	991
4.50%, 10/20/39 - 4/20/47	707,643	755
5.00%, 3/20/34 - 8/20/41	141,609	157
5.50%, 10/20/32 - 6/20/44	65,083	72
6.00%, 4/15/36	4,840	6
6.50%, 3/15/26 - 12/20/33	5,990	7
7.00%, 9/20/27	5,403	6
8.00%, 10/15/25 - 4/15/26	1,052	1

(Cost and value in $000s)	Shares/Par	$ Value
Government National Mortgage Assn., CMO, IO 4.50%, 11/20/37-12/20/39	36,982	2
		3,002
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $12,240)		**12,203**

U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 4.5%

U.S. Treasury Obligations 4.5%

	Shares/Par	$ Value
U.S. Treasury Bonds 2.50%, 5/15/46	90,000	84
U.S. Treasury Bonds 2.875%, 11/15/46	555,000	559
U.S. Treasury Bonds 3.00%, 11/15/44	200,000	207
U.S. Treasury Bonds 3.00%, 5/15/45	290,000	299
U.S. Treasury Bonds 3.125%, 2/15/43	485,000	513
U.S. Treasury Bonds 3.375%, 5/15/44	315,000	348
U.S. Treasury Bonds 4.625%, 2/15/40	305,000	403
U.S. Treasury Bonds 8.00%, 11/15/21	60,000	76
U.S. Treasury Notes 0.75%, 4/30/18 (8)	440,000	438
U.S. Treasury Notes 0.875%, 6/15/19	275,000	272
U.S. Treasury Notes 1.375%, 5/31/21	290,000	286
U.S. Treasury Notes 1.50%, 5/31/19	320,000	321
U.S. Treasury Notes 1.50%, 11/30/19	780,000	781
U.S. Treasury Notes 1.625%, 8/31/19	25,000	25
U.S. Treasury Notes 1.625%, 5/15/26	40,000	38
U.S. Treasury Notes 1.875%, 6/30/20	150,000	151
U.S. Treasury Notes 2.00%, 8/31/21	865,000	872
U.S. Treasury Notes 2.25%, 2/15/27	310,000	309
U.S. Treasury Notes 2.75%, 2/15/19	760,000	777
U.S. Treasury Notes Inflation-Indexed Notes 0.125%, 7/15/26	392,708	379
U.S. Treasury Notes Inflation-Indexed Notes 0.625%, 1/15/26	450,286	453
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost $7,413)		**7,591**

FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 0.4%

	Shares/Par	$ Value
DP World 6.85%, 7/2/37	100,000	118
Petroleos Mexicanos 3.50%, 7/18/18	75,000	76
Petroleos Mexicanos 3.50%, 7/23/20	25,000	25
Petroleos Mexicanos 4.875%, 1/24/22	20,000	21
Petroleos Mexicanos 5.375%, 3/13/22 (6)	10,000	11
Petroleos Mexicanos 6.375%, 2/4/21	15,000	16
Province of Manitoba 3.05%, 5/14/24	15,000	15
Province of Ontario 2.50%, 9/10/21	120,000	122
State Grid Overseas 2.75%, 5/4/22 (6)	200,000	199
United Mexican States 4.00%, 10/2/23	114,000	120
Total Foreign Government Obligations & Municipalities (Cost $713)		**723**

MUNICIPAL SECURITIES 0.7%

California 0.1%

	Shares/Par	$ Value
Bay Area Toll Auth. Build America 6.263%, 4/1/49	40,000	57
East Bay Municipal Utility Dist., Water, Build America 5.874%, 6/1/40	60,000	79
Los Angeles Airport, Build America Series C, 7.053% 5/15/40	35,000	49

(Cost and value in $000s)	Shares/Par	$ Value
San Diego County Water Auth., Build America Series B, 6.138%, 5/1/49	25,000	34
		219
Colorado 0.0%		
Denver School Dist. No. 1 Series B, COP, 4.242% 12/15/37	20,000	21
		21
District of Columbia 0.0%		
District of Columbia, Income Tax, Build America, Series E 5.591%, 12/1/34	10,000	12
		12
Florida 0.0%		
Florida State Board of Administration Fin. Corp. Hurricane Catastrophe Fund Series A, 2.995%, 7/1/20	45,000	46
		46
Illinois 0.1%		
Metropolitan Water Reclamation Dist. of Greater Chicago, Build America 5.72%, 12/1/38	60,000	73
		73
Maryland 0.1%		
Maryland Transportation Auth., Build America 5.888%, 7/1/43	35,000	46
Maryland Transportation Auth., Build America Series B, 5.754%, 7/1/41	70,000	90
		136
New York 0.2%		
Metropolitan Transportation Auth. of New York Dedicated Tax Fund, Build America, 7.336%, 11/15/39	10,000	15

(Cost and value in $000s)	Shares/Par	$ Value
New York City, Build America Series F-1 6.271%, 12/1/37	50,000	67
New York City, Build America Series H-1 5.846%, 6/1/40	55,000	72
Port Auth. of New York & New Jersey, Consolidated 174th, 4.458%, 10/1/62	85,000	93
		247
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	48
		68
Ohio 0.0%		
JobsOhio Beverage Liquor Profit, Series B 4.532%, 1/1/35	25,000	28
		28
Oregon 0.0%		
Oregon, Taxable Pension 5.892%, 6/1/27	15,000	18
		18
South Carolina 0.0%		
South Carolina Public Service Auth., Taxiable Obligation Series E, 4.322%, 12/1/27	35,000	36
		36
Texas 0.0%		
Texas Transportation Commission, Build America First Tier, Series B 5.178%, 4/1/30	10,000	12
		12

	Shares/Par	$ Value
(Cost and value in $000s)		
Utah 0.1%		
Utah Transit Auth., Build America, Series B 5.937%, 6/15/39	60,000	78
		78
Virginia 0.1%		
Univ. of Virginia, Build America, 5.00%, 9/1/40	35,000	42
Virginia Public Building Auth. Build America 5.90%, 8/1/30	50,000	62
Virginia Transportation Board Build America 5.35%, 5/15/35	10,000	12
		116
Total Municipal Securities (Cost $957)		**1,110**
BOND MUTUAL FUNDS 12.6%		
T. Rowe Price Inflation Protected Bond Fund - I Class, (0.03)% (9)(10)	50,450	596
T. Rowe Price Institutional Emerging Markets Bond Fund 5.76% (9)(10)	752,532	6,856
T. Rowe Price Institutional High Yield Fund 5.01% (9)(10)	790,809	7,117
T. Rowe Price Institutional International Bond Fund, 1.50% (9)(10)	724,597	6,282
T. Rowe Price Limited Duration Inflation Focused Bond Fund - I Class, (0.13)% (9)(10)	89,699	450
Total Bond Mutual Funds (Cost $20,368)		**21,301**
EQUITY MUTUAL FUNDS 4.7%		
T. Rowe Price Institutional Emerging Markets Equity Fund (1)(10)	156,935	5,453
T. Rowe Price Real Assets Fund - I Class (1)(10)	223,140	2,419
Total Equity Mutual Funds (Cost $5,842)		**7,872**
SHORT-TERM INVESTMENTS 4.2%		
Money Market Funds 4.2%		
T. Rowe Price Treasury Reserve Fund, 0.99% (10)(11)	7,119,213	7,119
Total Short-Term Investments (Cost $7,119)		**7,119**
SECURITIES LENDING COLLATERAL 0.1%		
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 Fund, 1.07% (10)(11)	20,192	202
Total Investments through Securities Lending Program with JPMorgan Chase Bank		**202**
Total Securities Lending Collateral (Cost $202)		**202**
Total Investments in Securities		
100.3% of Net Assets (Cost $129,997)		**$ 169,090**

‡ Shares/Par are denominated in U.S. dollars unless otherwise noted
(1) Non-income producing
(2) All or a portion of this security is on loan at June 30, 2017 -- total value of such securities at period-end amounts to $192. See Note 4.
(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 $50 and represents 0.0% of net assets.
(4) Level 3 in fair value hierarchy. See Note 2.

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(5) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
(6) 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 $6,046 and represents 3.6% of net assets.
(7) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.
(8) At June 30, 2017, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
(9) SEC 30-day yield
(10) Affiliated Company
(11) Seven-day yield
ADR American Depository Receipts
ARM Adjustable Rate Mortgage
AUD Australian Dollar
BRL Brazilian Real
CAD Canadian Dollar
CHF Swiss Franc
CLO Collateralized Loan Obligation
CMO Collateralized Mortgage Obligation
CNH Offshore China Renminbi
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
PTT Pass-Through Trust
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 $901 (0.5% of net assets) at period-end - see Note 4.
TWD Taiwan Dollar
VR Variable Rate; rate shown is effective rate at period-end.

Futures Contracts

($000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Short, 1 U.S. Treasury Bonds 30 year contracts	9/17	$ (154)	$ (2)
Short, 1 U.S. Treasury Notes five year contracts	9/17	(118)	–
Long, 4 U.S. Treasury Notes ten year contracts	9/17	502	(3)
Long, 8 U.S. Treasury Notes two year contracts	9/17	1,729	(1)
Long, 2 Ultra U.S. Treasury Bonds contracts	9/17	332	3
Short, 15 Ultra U.S. Treasury Bonds ten year contracts	9/17	(2,022)	5
Net payments (receipts) of variation margin to date			2
Variation margin receivable (payable) on open futures contracts			$ 4

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, 2017. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/17	Value 12/31/16
T. Rowe Price Inflation Protected Bond Fund – I Class	$ —	$ —	$ —	$ 596	$ 593
T. Rowe Price Institutional Emerging Markets Bond Fund	231	665	231	6,856	7,107
T. Rowe Price Institutional Emerging Markets Equity Fund	—	938	—	5,453	5,478
T. Rowe Price Institutional High Yield Fund	213	856	213	7,117	7,576
T. Rowe Price Institutional International Bond Fund – I Class	528	—	48	6,282	5,412
T. Rowe Limited Duration Inflation Focused Bond Fund – I Class	650	199	—	450	—

Affiliated Companies (continued)

($000s)

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/17	Value 12/31/16
T. Rowe Price Real Assets Fund – I Class	—	117	—	2,419	2,509
T. Rowe Price Treasury Reserve Fund	¤	¤	19	7,119	6,360
T. Rowe Price Short-Term Reserve Fund	¤	¤	—^	202	156
Totals			$ 511	$ 36,494	$ 35,191

¤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	$ 33,531
Dividend income	511
Interest income	-
Investment income	$ 511
Realized gain (loss) on securities	$ 41
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, 2017 (Unaudited)
($000s, except shares and per share amounts)

Assets	
Investments in securities, at value (cost $129,997)	$ 169,090
Receivable for investment securities sold	1,586
Interest and dividends receivable	379
Foreign currency (cost $57)	57
Receivable for shares sold	22
Cash	8
Variation margin receivable on futures contracts	4
Other assets	89
Total assets	171,235
Liabilities	
Payable for investment securities purchased	2,225
Obligation to return securities lending collateral	202
Investment management and administrative fees payable	141
Payable for shares redeemed	36
Other liabilities	34
Total liabilities	2,638
NET ASSETS	**$ 168,597**
Net Assets Consist of:	
Overdistributed net investment income	$ (14)
Accumulated undistributed net realized gain	4,393
Net unrealized gain	39,098
Paid-in capital applicable to 8,102,846 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized	125,120
NET ASSETS	**$ 168,597**
NET ASSET VALUE PER SHARE	**$ 20.81**

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 6/30/17
Investment Income (Loss)	
Income	
Dividend	$ 1,241
Interest	585
Securities lending	4
Total income	1,830
Exepnse	
Investment management and administrative expense	737
Investment management fees waived	(97)
Total expenses	640
Net investment income	1,190
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	5,596
Futures	(44)
Foreign currency transactions	5
Net realized gain	5,557
Change in net unrealized gain / loss	
Securities	7,907
Futures	(6)
Other assets and liabilities denominated in foreign currencies	5
Change in net unrealized gain / loss	7,906
Net realized and unrealized gain / loss	13,463
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 14,653**

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 6/30/17	Year Ended 12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 1,190	$ 2,616
Net realized gain	5,557	3,491
Change in net unrealized gain / loss	7,906	3,887
Increase in net assets from operations	14,653	9,994
Distributions to shareholders		
Net investment income	(1,286)	(2,668)
Net realized gain	–	(3,588)
Decrease in net assets from distributions	(1,286)	(6,256)
Capital share transactions*		
Shares sold	9,052	20,616
Distributions reinvested	1,286	6,257
Shares redeemed	(14,719)	(34,344)
Decrease in net assets from capital share transactions	(4,381)	(7,471)
Net Assets		
Increase (decrease) during period	8,986	(3,733)
Beginning of period	159,611	163,344
End of period	**$ 168,597**	**$ 159,611**
Undistributed (overdistributed) net investment income	(14)	82
*Share information		
Shares sold	450	1,081
Distributions reinvested	62	327
Shares redeemed	(736)	(1,800)
Decrease in shares outstanding	(224)	(392)

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 Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. 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 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 quarterly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be 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, 2017.

New Accounting Guidance In October 2016, the Securities and Exchange Commission (SEC) issued a new rule, *Investment Company Reporting Modernization*, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements related to periods ending on or after August 1, 2017; adoption will have no effect on the fund's net assets or results of operations.

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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

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) is an internal committee that has been delegated certain responsibilities 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 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. Debt 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.

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. 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, 2017:

($000s)	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Value
Assets				
Investments in Securities, except:	$ 36,494	$ –	$ –	$ 36,494
Common Stocks	65,659	24,153	9	89,821
Convertible Preferred Stocks	–	180	24	204
Corporate Bonds	–	13,446	–	13,446
Asset-Backed Securities	–	4,494	–	4,494
Non-U.S. Government Mortgage-Backed Securities	–	3,004	–	3,004
U.S. Government & Agency Mortgage-Backed Securities	–	12,203	–	12,203
U.S. Government Agency Obligations (Excluding Mortgage-Backed)	–	7,591	–	7,591
Foreign Government Obligations & Municipalities	–	723	–	723
Municipal Securities	–	1,110	–	1,110
Total Securities	102,153	66,904	33	169,090
Futures Contracts	4	–	–	4
Total	$ 102,157	$ 66,904	$ 33	$ 169,094

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2017. 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, 2017, totaled $1,000 for the six months ended June 30, 2017. Transfers into and out of Level 3 are reflected at the value of the financial instrument at the beginning of the period. During the six months, transfers out of Level 3 were because observable market data became available for the security.

($000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Total Purchases	Transfers Out of Level 3	Ending Balance 6/30/17
Investments in Securities					
Common Stocks	$ 2	$ –	$ 7	$ –	$ 9
Convertible Preferred Stocks	20	1	8	(5)	24
Total Level 3	$ 22	$ 1	$ 15	$ (5)	$ 33

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2017, 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, 2017, the fund held interest rate futures with cumulative unrealized gain of $8,000 and cumulative unrealized loss of $6,000; the value reflected on the accompanying Statement of Assets and Liabilities is the related unsettled variation margin.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2017, 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**		
	Securities^	**Futures**	**Total**
Realized Gain (Loss)			
Interest rate derivatives	$ (1)	$ (44)	$ (45)
Change in Unrealized Gain / Loss			
Interest rate derivatives	$ (1)	$ (6)	$ (7)

^Purchased options are reported as securities.

Counterparty Risk and Collateral The fund invests in exchange-traded or centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps. Counterparty risk on such derivatives 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 specified by the clearinghouse and the clearing firm (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearinghouse and clearing firm, in its sole discretion, may adjust the margin requirements applicable to the fund.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is 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. As of June 30, 2107, securities valued at $42,000 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, 2017, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 2% and 4% of net assets.

Options The fund is subject to interest rate 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 on futures give the holder the right, but not the obligation, to purchase or sell, respectively, a position in a particular futures contract at a specified exercise price. Risk 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 interest rates; and, for written options, potential losses in excess of the fund's initial investment. During the six months ended June 30, 2017, the volume of the fund's activity in options, based on underlying notional amounts, was generally less than 1% 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 bilateral swaps, premiums paid or received are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. 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. 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, 2017, 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 9% 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.

Collateralized Loan Obligations The fund may invest in collateralized loan obligations (CLOs) which are entities backed by a diversified pool of syndicated bank loans. The cash flows of the CLO can be split into multiple segments, called "tranches" or "classes", which will vary in risk profile and yield. The riskiest segments, which are the subordinate or "equity" tranches, bear the greatest risk of loss from defaults in the underlying assets of the CLO and serve to protect the other, more senior, tranches. Senior tranches will typically have higher credit ratings and lower yields than the securities underlying the CLO. Despite the protection from the more junior tranches, senior tranches can experience substantial losses.

TBA Purchase and Sale Commitments The fund may enter into to-be-announced (TBA) purchase or sale commitments (collectively, TBA transactions), 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 received or delivered by the fund are not identified at the trade date; however, the 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 transactions with the intention of taking possession of or relinquishing the underlying securities, may elect to extend the settlement by "rolling" the transaction, and/or may use TBA transactions to gain or reduce 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, 2017, 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, 2017, the value of loaned securities was $192,000; the value of cash collateral and related investments was $202,000.

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 $29,726,000 and $36,987,000, respectively, for the six months ended June 30, 2017. Purchases and sales of U.S. government securities aggregated $15,642,000 and $14,626,000, respectively, for the six months ended June 30, 2017.

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, 2017, the cost of investments for federal income tax purposes was $131,630,000. Net unrealized gain aggregated $37,464,000 at period-end, of which $40,080,000 related to appreciated investments and $2,616,000 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 other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest in the T. Rowe Price Government Reserve Fund, the T. Rowe Price Treasury Reserve Fund, or the T. Rowe Price Short-Term Fund (collectively, the Price Reserve Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve 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 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, 2017, are as follows:

($000s)	Effective Management Fee Rate	Management Fee Waived
T. Rowe Price Inflation Protected Bond Fund – I Class	0.34%	$ 1
T. Rowe Price Institutional Emerging Markets Bond Fund	0.70%	24
T. Rowe Price Institutional Emerging Markets Equity Fund	1.10%	29
T. Rowe Price Institutional High Yield Fund	0.50%	18
T. Rowe Price Institutional International Bond Fund	0.55%	16
T. Rowe Price Limited Duration Inflation Focused Bond Fund – I Class	0.34%	1
T. Rowe Price Real Assets Fund – I Class	0.64%	8
Total		$ 97

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, 2017, 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, 2017.

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

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

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In that regard, at an in-person meeting held on March 6–7, 2017 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

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 took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2016, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider 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 fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price 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. 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

Approval of Investment Management Agreement (continued)

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 and Expenses
The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and non-management expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and non-management expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Advisor after paying the fund's operating expenses, as well as any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fifth quintile (Expense Group), the fund's actual management fee rate ranked in the fourth quintile (Expense Group) and fifth quintile (Expense Universe), and the fund's total expenses ranked in the third quintile (Expense Group) and fourth quintile (Expense Universe).

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 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).

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T.RowePrice®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

June 30, 2017

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 surged in the first six months of 2017 as a corporate earnings recovery and steady economic growth pushed the major benchmarks to record levels.
- The Equity Income Portfolio returned 5.51% over the period and lagged the S&P 500 Index and its Lipper peer group index of similarly managed funds.
- Every sector except energy and telecommunication services contributed to absolute returns. On a relative basis, the real estate sector added the most to performance, while information technology was the biggest detractor.
- We expect greater stock market volatility and more subdued returns given the market's first-half advance and heightened political instability. Uncertainty regarding the direction of U.S. fiscal policy has clouded the outlook for many companies, yet we continue to find idiosyncratic opportunities in a handful of sectors.

Dear Investor

Signs of stronger economic growth and a rebound in corporate earnings lifted stock markets worldwide in the first half of 2017. U.S. stock market benchmarks surged to record levels as earnings rebounded after more than a year of declining profits and investors continued to pin their hopes on business-friendly policies under President Donald Trump. The improving global backdrop allayed concerns about rising U.S. interest rates and geopolitical tensions in a few countries, as well as misgivings about the Trump administration's ability to deliver on its agenda. In this supportive environment, the Equity Income Portfolio posted a solid return.

Performance Comparison

Six-Month Period Ended 6/30/17	Total Return
Equity Income Portfolio	5.51%
Equity Income Portfolio–II	5.42
S&P 500 Index	9.34
Lipper Variable Annuity Underlying Equity Income Funds Average	5.86

The Equity Income Portfolio returned 5.51% for the six months ended June 30, 2017, versus 9.34% for the Standard & Poor's 500 Index. The portfolio lagged the 5.86% return of its peer group, the Lipper Variable Annuity Underlying Equity Income Funds Average. Every sector except energy and telecommunication services contributed to the portfolio's absolute returns. On a relative basis, real estate followed by telecommunication services stocks contributed the most to performance. Conversely, information technology stocks detracted the most from relative returns largely due to our sizable underweight to IT, the best-performing sector of the S&P 500.

Market Environment

The postelection rally in U.S. stocks continued into the first half of 2017. Hopes for tax reform, deregulation, and infrastructure spending under the Trump administration, along with a long-awaited corporate earnings recovery, drove the market's gains. Profits for the S&P 500 as a whole rose at their fastest year-over-year pace in several years in the first quarter of 2017, a welcome turnaround after five quarters of earnings declines that began in mid-2015. Overseas, indicators signaling rising demand and faster economic growth in many countries lifted confidence in the global outlook. The strong performance in the U.S. and other major developed markets occurred even as the Federal Reserve continued to tighten its accommodative monetary policy that has been in place since the 2008 financial crisis. The S&P 500 Index rose to record levels in June, joining many global stock benchmarks that reached all-time highs in the spring.

Large-cap shares outperformed their smaller peers. Growth stocks widely outpaced value stocks across all market capitalizations, according to various Russell indexes. In the S&P 500 Index, nine of 11 sectors advanced and two fell. Information technology performed the best, driven by outsized gains in a handful of technology and Internet stocks, followed by health care and consumer discretionary. All three sectors produced double-digit returns. Conversely, energy stocks fared the worst as crude oil prices fell into a bear market amid a persistent global oversupply of oil. Telecommunication services was the next worst-performing sector as the leading U.S. wireless operators grappled with weak subscriber growth and competition from cable companies.

Portfolio Review

The Equity Income Portfolio seeks to buy well-established, large-cap companies that typically have a strong record of paying dividends and appear to be undervalued by the market. The portfolio's holdings tend to be solid, higher-quality companies going through a period of underperformance, reflecting our dual focus on valuation and dividend yield. All but two companies in the portfolio paid a dividend over the past 12 months. 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 12/31/16	6/30/17
Financials	24.9%	25.9%
Industrials and Business Services	12.7	11.9
Health Care	9.0	11.2
Energy	11.1	9.4
Information Technology	9.0	8.1
Consumer Discretionary	8.5	8.1
Utilities	7.7	6.9
Consumer Staples	5.4	6.3
Materials	4.9	5.0
Telecommunication Services	2.7	2.9
Real Estate	2.0	2.1
Other and Reserves	2.1	2.2
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Financials was the biggest sector allocation and accounted for slightly more than a quarter of the portfolio's net assets at period-end. Our stock selection was strongest in this sector, driven by **JPMorgan Chase**, **State Street**, and financial services company **Ameriprise Financial**. These names ranked among your portfolio's biggest absolute contributors. After surging in the postelection rally, bank stocks lagged the broader market this year as long-term interest rates declined and investors grew less sanguine about the U.S. economy. However, banks received good news at the end of June after they all passed the Federal Reserve's annual stress test, effectively allowing them to significantly boost dividends and share buybacks. The surprisingly high payouts announced by many banks after passing the Fed's stress test supports our view that financial deregulation is already occurring behind the scenes and may prove to be more substantial than what the market expects. We reduced our positions in **American Express** and **Bank of America** after strong performance and added to **U.S. Bancorp** and **Wells Fargo**, both durable banking franchises whose shares lagged the financials sector. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Financial Profile

As of 6/30/17	Equity Income Portfolio	S&P 500 Index
Price/Book Ratio	2.4X	4.3X
Price/Earnings Ratio (Based on next 12 months' estimated earnings)*	16.4X	18.8X
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.

Industrials and business services was the portfolio's second-largest allocation at roughly 12% of assets. **Boeing** led contributors in this sector, as its shares climbed to a record on solid earnings and buoyant demand for new passenger planes. Boeing was the top contributor in the first half of 2017 and we trimmed our position to reduce risk, but the company remains a core holding. Other notable contributors were diversified industrial conglomerate **Illinois Tool Works**; **Pentair**, whose shares surged in May after the company announced plans to split into two separate businesses; and **Cummins**, which makes engines for industrial vehicles and heavy industry. We trimmed our position in Cummins, whose shares rose to a record high this year on surging demand from China, and eliminated rail operator **Union Pacific** after its shares approached fully valued levels, in our view. We used proceeds from these sales to accumulate shares of **UPS**, a laggard over the period as investors questioned the company's ability to manage margins in the face of surging home delivery demand as more people shop online. UPS benefits from solid revenue and volume growth, however, and we think its challenges related to pricing and margins can be resolved. We regard UPS as a company on the "right side" of secular change, an opportunity that rarely presents itself to value-focused investors. It was among our largest purchases over the period.

Information technology represents a sizable portion of the portfolio, roughly 8% of assets. While information technology stocks contributed to absolute returns, they detracted from performance relative to the S&P 500 Index largely because of our underweight to IT, by far the best-performing sector in the benchmark. Despite our lack of exposure to several highflying tech companies, we scored some success in the IT sector with our positions in semiconductor manufacturing equipment maker **Applied Materials** and **Microsoft**. Applied Materials has benefited from strong demand from semiconductor companies that are producing increasingly complex components for smartphone makers. Meanwhile, Microsoft continues to reap the rewards of pushing into the lucrative cloud-based computing market.

Outlook

Our outlook for the U.S. stock market is guardedly optimistic. Global economic growth and financial markets proved surprisingly resilient in the year's first half, despite headwinds related to a tightening Fed, a nuclear threat in North Korea, and a high level of U.S. policy uncertainty. The bull market for U.S. stocks marked its eighth year in March, putting the S&P 500 on track for its ninth year of gains. Much of the U.S. rally can be traced to continued hopes for business-friendly policies to be enacted under President Trump. However, the administration's dwindling political capital after a string of controversies has made significant policy changes appear increasingly unlikely in the near term. Given that the major U.S. stock benchmarks are trading near record levels—partly based on expectations of tax cuts, deregulation, and other pro-growth proposals promised by Trump—any setback regarding the passage of these measures could dampen the market's performance.

Valuations overall appear less compelling after the market's advance, making it harder to find areas of the market that can outperform over the long term. Uncertainty over the timing and scope of domestic fiscal and tax policies has clouded the outlook for many U.S. companies. Much of our buying has been idiosyncratic in nature across many sectors, rather than reflecting any broad investment themes. In this uncertain environment, we believe that sticking to our disciplined investment process and leveraging T. Rowe Price's strengths in fundamental research to identify companies with compelling valuations, attractive fundamentals, and strong dividend yields represent the best way to continue delivering solid returns for our shareholders.

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 14, 2017

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 Investing in the Fund

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-book ratio: A valuation measure that compares a stock's market price with its book value; i.e., the company's net worth divided by the number of outstanding shares.

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 a company's earnings. The higher the P/E, the more investors are paying for a 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 a company's future earnings. The higher the P/E, the more investors are paying for a company's expected earnings growth in the next fiscal year.

Glossary (continued)

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 a company's future earnings. The higher the P/E, the more investors are paying for a company's earnings growth in the next 12 months.

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 6/30/17
JPMorgan Chase	3.6%
ExxonMobil	2.4
Wells Fargo	2.4
Morgan Stanley	2.1
Johnson & Johnson	2.0
Microsoft	2.0
Boeing	1.9
Verizon Communications	1.8
Total	1.8
State Street	1.7
EI du Pont de Nemours	1.7
Anthem	1.7
Johnson Controls International	1.7
MetLife	1.6
Citigroup	1.5
Pfizer	1.5
Qualcomm	1.5
Loews	1.5
Becton, Dickinson & Company	1.5
Harris	1.4
Twenty-First Century Fox	1.4
PG&E	1.3
Comcast	1.3
Ameriprise Financial	1.3
U.S. Bancorp	1.3
Total	43.9%

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 6/30/17

LARGEST PURCHASES	LARGEST SALES
U.S. Bancorp	Royal Dutch Shell
American International Group*	American Express
Becton, Dickinson & Company	Bank of America
Southern Company	Analog Devices
Gilead Sciences	Union Pacific**
Wells Fargo	AES
Verizon Communications	FirstEnergy**
Occidental Petroleum	Pfizer
Qualcomm	Boeing
Fifth Third Bancorp	Marsh & McLennan

12 Months Ended 6/30/17

LARGEST PURCHASES	LARGEST SALES
Wells Fargo	GE
U.S. Bancorp	Bank of America
Southern Company*	Royal Dutch Shell
Becton, Dickinson & Company	American Express
NextEra Energy*	Entergy**
Medtronic	Union Pacific**
American International Group*	Deere**
Occidental Petroleum	FirstEnergy**
Equity Residential*	Applied Materials
Coty*	Boeing

*Position added.
**Position eliminated.

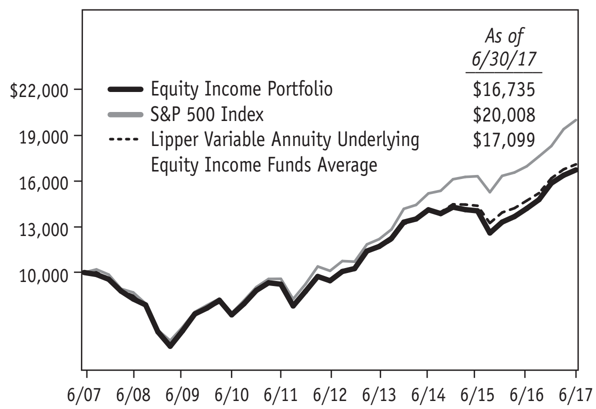
Performance and Expenses

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 6/30/17	1 Year	5 Years	10 Years
Equity Income Portfolio	17.83%	12.08%	5.28%
Equity Income Portfolio–II	17.56	11.81	5.02

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 1/1/17	Ending Account Value 6/30/17	Expenses Paid During Period* 1/1/17 to 6/30/17
Equity Income Portfolio			
Actual	$1,000.00	$1,055.10	$4.33
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.58	4.26
Equity Income Portfolio–II			
Actual	1,000.00	1,054.20	5.60
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.34	5.51

*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 (181), and divided by the days in the year (365) 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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 28.34	$ 26.81	$ 30.02	$ 28.45	$ 22.27	$ 19.42
Investment activities						
Net investment income[1]	0.22	0.61	0.52	0.50	0.40	0.42
Net realized and unrealized gain / loss	1.34	4.50[2]	(2.58)	1.58	6.18	2.89
Total from investment activities	1.56	5.11	(2.06)	2.08	6.58	3.31
Distributions						
Net investment income	(0.21)	(0.67)	(0.53)	(0.51)	(0.40)	(0.46)
Net realized gain	–	(2.91)	(0.62)	–	–	–
Total distributions	(0.21)	(3.58)	(1.15)	(0.51)	(0.40)	(0.46)
NET ASSET VALUE						
End of period	**$ 29.69**	**$ 28.34**	**$ 26.81**	**$ 30.02**	**$ 28.45**	**$ 22.27**

Ratios/Supplemental Data

Total return[3]	**5.51%**	**19.17%[2]**	**(6.85)%**	**7.38%**	**29.72%**	**17.15%**
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	1.51%[4]	2.17%	1.78%	1.72%	1.57%	2.00%
Portfolio turnover rate	9.3%	18.5%	27.5%	11.4%	12.7%	15.9%
Net assets, end of period (in millions)	$ 532	$ 551	$ 605	$ 851	$ 852	$ 694

(1) Per share amounts calculated using average shares outstanding method.

(2) See Note 6. 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 0.53%.

(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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 28.25	$ 26.73	$ 29.94	$ 28.38	$ 22.22	$ 19.37
Investment activities						
Net investment income[1]	0.18	0.52	0.44	0.43	0.34	0.36
Net realized and unrealized gain / loss	1.35	4.50[2]	(2.57)	1.57	6.16	2.90
Total from investment activities	1.53	5.02	(2.13)	2.00	6.50	3.26
Distributions						
Net investment income	(0.17)	(0.59)	(0.46)	(0.44)	(0.34)	(0.41)
Net realized gain	–	(2.91)	(0.62)	–	–	–
Total distributions	(0.17)	(3.50)	(1.08)	(0.44)	(0.34)	(0.41)
NET ASSET VALUE						
End of period	**$ 29.61**	**$ 28.25**	**$ 26.73**	**$ 29.94**	**$ 28.38**	**$ 22.22**

Ratios/Supplemental Data

Total return[3]	**5.42%**	**18.85%[2]**	**(7.10)%**	**7.10%**	**29.41%**	**16.92%**
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	1.25%[4]	1.89%	1.51%	1.47%	1.32%	1.75%
Portfolio turnover rate	9.3%	18.5%	27.5%	11.4%	12.7%	15.9%
Net assets, end of period (in thousands)	$ 193,728	$ 205,562	$ 270,238	$ 406,097	$ 392,357	$ 297,990

(1) Per share amounts calculated using average shares outstanding method.

(2) See Note 6. 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 0.51%.

(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, 2017 (Unaudited)

(Cost and value in $000s)	Shares/Par	$ Value
COMMON STOCKS 96.0%		
Consumer Discretionary 8.1%		
Auto Components 0.6%		
Adient	65,420	4,277
		4,277
Automobiles 0.4%		
Ford Motor	236,600	2,647
		2,647
Hotels, Restaurants & Leisure 1.5%		
Carnival	50,100	3,285
Las Vegas Sands	121,518	7,764
		11,049
Leisure Products 0.6%		
Mattel	211,700	4,558
		4,558
Media 4.1%		
Comcast, Class A	239,500	9,322
News Corp, Class A	436,800	5,984
Time Warner	8,366	840
Twenty-First Century Fox	370,800	10,334
Walt Disney	26,600	2,826
		29,306
Multiline Retail 0.9%		
Kohl's	111,200	4,300
Macy's	107,900	2,508
		6,808
Total Consumer Discretionary		**58,645**
Consumer Staples 6.3%		
Beverages 1.7%		
Diageo (GBP)	127,161	3,758
PepsiCo	74,000	8,546
		12,304
Food & Staples Retailing 0.9%		
Wal-Mart	91,300	6,909
		6,909

(Cost and value in $000s)	Shares/Par	$ Value
Food Products 2.5%		
Archer-Daniels-Midland	176,600	7,308
Kellogg	44,500	3,091
Tyson Foods, Class A	118,800	7,440
		17,839
Personal Products 0.5%		
Avon (1)	115,600	439
Coty, Class A	182,070	3,416
		3,855
Tobacco 0.7%		
Philip Morris International	42,500	4,992
		4,992
Total Consumer Staples		**45,899**
Energy 9.3%		
Oil, Gas & Consumable Fuels 9.3%		
Apache	117,740	5,643
Canadian Natural Resources	99,000	2,855
Chevron	70,452	7,350
EQT	21,910	1,284
ExxonMobil	215,422	17,391
Hess	135,600	5,949
Occidental Petroleum	141,600	8,478
Royal Dutch Shell, ADR	99,500	5,292
Total (EUR)	263,210	13,068
Total Energy		**67,310**
Financials 25.2%		
Banks 12.3%		
Bank of America	97,275	2,360
Citigroup	166,400	11,129
Fifth Third Bancorp	329,800	8,562
JPMorgan Chase	285,141	26,062
KeyCorp	295,900	5,545
PNC Financial Services Group	55,100	6,880
Royal Bank of Scotland (GBP) (1)	589,357	1,902
U.S. Bancorp	177,400	9,210

(Cost and value in $000s)	Shares/Par	$ Value
Wells Fargo	310,220	17,189
		88,839
Capital Markets 6.9%		
Ameriprise Financial	72,400	9,216
Bank of New York Mellon	127,200	6,490
Morgan Stanley	341,200	15,204
Northern Trust	70,600	6,863
State Street	139,000	12,472
		50,245
Consumer Finance 0.6%		
American Express	54,600	4,600
		4,600
Insurance 5.4%		
Chubb	25,650	3,729
Loews	233,500	10,930
Marsh & McLennan	82,600	6,439
MetLife	213,300	11,719
Willis Towers Watson	28,130	4,092
XL Group	57,900	2,536
		39,445
Total Financials		**183,129**
Health Care 10.6%		
Biotechnology 1.0%		
Gilead Sciences	105,100	7,439
		7,439
Health Care Equipment & Supplies 1.9%		
Becton, Dickinson & Company	30,200	5,892
Medtronic	87,100	7,730
		13,622
Health Care Providers & Services 1.7%		
Anthem	65,200	12,266
		12,266
Pharmaceuticals 6.0%		
Bristol-Myers Squibb	118,300	6,592
GlaxoSmithKline (GBP)	180,467	3,842
Johnson & Johnson	112,100	14,830

(Cost and value in $000s)	Shares/Par	$ Value
Merck	108,100	6,928
Pfizer	330,114	11,088
		43,280
Total Health Care		**76,607**
Industrials & Business Services 11.6%		
Aerospace & Defense 3.5%		
Boeing	70,300	13,902
Harris	94,750	10,335
United Technologies	7,700	940
		25,177
Air Freight & Logistics 1.1%		
UPS, Class B	73,700	8,150
		8,150
Airlines 0.4%		
Southwest Airlines	50,700	3,151
		3,151
Building Products 1.7%		
Johnson Controls International	279,406	12,115
		12,115
Electrical Equipment 0.9%		
Emerson Electric	115,300	6,874
		6,874
Industrial Conglomerates 1.3%		
GE	340,300	9,192
		9,192
Machinery 2.7%		
Cummins	16,000	2,596
Flowserve	74,831	3,474
Illinois Tool Works	61,200	8,767
Pentair	71,600	4,764
		19,601
Total Industrials & Business Services		**84,260**

(Cost and value in $000s)	Shares/Par	$ Value
Information Technology 8.2%		
Communications Equipment 1.2%		
Cisco Systems	277,600	8,689
		8,689
Electronic Equipment, Instruments & Components 0.4%		
TE Connectivity	33,900	2,667
		2,667
Semiconductors & Semiconductor Equipment 3.4%		
Analog Devices	26,700	2,077
Applied Materials	185,300	7,655
Qualcomm	198,300	10,950
Texas Instruments	54,400	4,185
		24,867
Software 2.2%		
CA	39,000	1,344
Microsoft	210,200	14,489
		15,833
Technology Hardware, Storage & Peripherals 1.0%		
Apple	21,500	3,097
Western Digital	46,200	4,093
		7,190
Total Information Technology		**59,246**
Materials 4.8%		
Chemicals 2.4%		
CF Industries	198,000	5,536
EI du Pont de Nemours	152,800	12,332
		17,868
Construction Materials 0.8%		
Vulcan Materials	44,400	5,625
		5,625
Containers & Packaging 1.0%		
International Paper	130,453	7,385
		7,385

(Cost and value in $000s)	Shares/Par	$ Value
Metals & Mining 0.6%		
Nucor	73,800	4,271
		4,271
Total Materials		**35,149**
Real Estate 2.1%		
Equity Real Estate Investment Trusts 2.1%		
Equity Residential, REIT	69,000	4,542
Rayonier, REIT	199,661	5,744
Weyerhaeuser, REIT	150,906	5,056
Total Real Estate		**15,342**
Telecommunication Services 2.9%		
Diversified Telecommunication Services 2.6%		
CenturyLink	129,607	3,095
Telefonica (EUR)	235,479	2,438
Verizon Communications	294,470	13,151
		18,684
Wireless Telecommunication Services 0.3%		
Vodafone (GBP)	769,407	2,185
		2,185
Total Telecommunication Services		**20,869**
Utilities 5.7%		
Electric Utilities 4.4%		
Edison International	88,200	6,896
Exelon	147,300	5,313
PG&E	141,900	9,418
Southern Company	130,000	6,225
XCEL Energy	85,000	3,900
		31,752
Independent Power & Renewable Electricity Producers 0.3%		
AES	167,000	1,855
		1,855

	Shares/Par	$ Value
(Cost and value in $000s)		
Multi-Utilities 1.0%		
NiSource	294,600	7,471
		7,471
Total Utilities		**41,078**
Total Miscellaneous Common Stock 1.2% (2)		**8,685**
Total Common Stocks (Cost $486,164)		**696,219**
CONVERTIBLE PREFERRED STOCKS 1.9%		
Health Care 0.7%		
Health Care Equipment & Supplies 0.7%		
Becton Dickinson Series A (1)	91,525	4,982
Total Health Care		**4,982**
Utilities 1.2%		
Electric Utilities 1.0%		
Great Plains Energy	41,537	2,202
NextEra Energy	100,507	5,319
		7,521
Multi-Utilities 0.2%		
DTE Energy	23,048	1,248
		1,248
Total Utilities		**8,769**
Total Convertible Preferred Stocks (Cost $12,720)		**13,751**
CORPORATE BONDS 0.2%		
Western Digital 10.50%, 4/1/24	1,200,000	1,416
Total Corporate Bonds (Cost $1,196)		**1,416**

	Shares/Par	$ Value
(Cost and value in $000s)		
SHORT-TERM INVESTMENTS 1.9%		
Money Market Funds 1.9%		
T. Rowe Price Government Reserve Fund, 0.99% (3)(4)	13,883,304	13,883
Total Short-Term Investments (Cost $13,883)		**13,883**
Total Investments in Securities		
100.0% of Net Assets (Cost $513,963)		**$ 725,269**

‡ Shares/Par are denominated in U.S. dollars unless otherwise noted.
(1) Non-income producing
(2) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
(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, 2017. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/17	Value 12/31/16
T. Rowe Price Government Reserve Fund	¤	¤	$ 40	$ 13,883	$ 15,700
Totals			$ 40	$ 13,883	$ 15,700

¤ 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	$ 13,883
Dividend income	40
Interest income	—
Investment income	$ 40
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, 2017 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $513,963)	$	725,269
Dividends and interest receivable		1,149
Receivable for investment securities sold		1,045
Receivable for shares sold		405
Foreign currency (cost $197)		202
Other assets		9
Total assets		728,079
Liabilities		
Payable for investment securities purchased		1,684
Investment management and administrative fees payable		608
Payable for shares redeemed		207
Total liabilities		2,499
NET ASSETS	**$**	**725,580**
Net Assets Consist of:		
Undistributed net investment income	$	348
Accumulated undistributed net realized gain		40,922
Net unrealized gain		211,313
Paid-in capital applicable to 24,455,116 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		472,997
NET ASSETS	**$**	**725,580**
NET ASSET VALUE PER SHARE		
Equity Income Class ($531,852,035 / 17,911,598 shares outstanding)	**$**	**29.69**
Equity Income - II Class ($193,727,596 / 6,543,518 shares outstanding)	**$**	**29.61**

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 6/30/17
Investment Income (Loss)	
Dividend income	$ 8,584
Expenses	
Investment management and administrative expense	3,098
Rule 12b-1 fees - Equity Income-II Class	238
Total expenses	3,336
Net investment income	5,248
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	36,989
Futures	68
Foreign currency transactions	4
Net realized gain	37,061
Change in net unrealized gain / loss	
Securities	(3,061)
Other assets and liabilities denominated in foreign currencies	8
Change in net unrealized gain / loss	(3,053)
Net realized and unrealized gain / loss	34,008
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 39,256**

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 6/30/17	Year Ended 12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 5,248	$ 16,138
Net realized gain	37,061	56,074
Change in net unrealized gain / loss	(3,053)	58,845
Increase in net assets from operations	39,256	131,057
Distributions to shareholders		
Net investment income		
Equity Income Class	(3,787)	(12,534)
Equity Income-II Class	(1,113)	(4,175)
Net realized gain		
Equity Income Class	–	(51,293)
Equity Income-II Class	–	(19,297)
Decrease in net assets from distributions	(4,900)	(87,299)
Capital share transactions*		
Shares sold		
Equity Income Class	16,597	48,411
Equity Income-II Class	16,436	41,309
Distributions reinvested		
Equity Income Class	3,788	63,828
Equity Income-II Class	1,113	23,473
Shares redeemed		
Equity Income Class	(64,911)	(198,210)
Equity Income-II Class	(38,347)	(140,883)
Decrease in net assets from capital share transactions	(65,324)	(162,072)
Net Assets		
Decrease during period	(30,968)	(118,314)
Beginning of period	756,548	874,862
End of period	**$ 725,580**	**$ 756,548**
Undistributed net investment income	348	–
*Share information		
Shares sold		
Equity Income Class	573	1,710
Equity Income-II Class	567	1,481
Distributions reinvested		
Equity Income Class	128	2,242
Equity Income-II Class	38	826
Shares redeemed		
Equity Income Class	(2,234)	(7,061)
Equity Income-II Class	(1,337)	(5,142)
Decrease in shares outstanding	(2,265)	(5,944)

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 the investments in stocks. The fund has two classes of shares: the Equity Income Portfolio (Equity Income Portfolio Class) and the Equity Income Portfolio–II (Equity Income Portfolio–II Class). Equity Income Portfolio–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 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 by each class quarterly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be 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.

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 $2,000 for the six months ended June 30, 2016.

New Accounting Guidance In October 2016, the Securities and Exchange Commission (SEC) issued a new rule, Investment Company Reporting Modernization, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements related to periods ending on or after August 1, 2017; adoption will have no effect on the fund's net assets or results of operations.

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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

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) is an internal committee that has been delegated certain responsibilities 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, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ 13,883	$ –	$ –	$ 13,883
Common Stocks	668,186	28,033	–	696,219
Convertible Preferred Stocks	–	13,751	–	13,751
Corporate Bonds	–	1,416	–	1,416
Total	$ 682,069	$ 43,200	$ –	$ 725,269

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2017.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2017, 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, 2017, the fund held no derivative instruments.

Additionally, during the six months ended June 30, 2017, the fund recognized $68,000 of gain on equity derivatives, included in realized gain (loss) on Futures on the accompanying Statement of Operations.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities other than short-term securities aggregated $66,644,000 and $129,603,000, respectively, for the six months ended June 30, 2017.

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, 2017, the cost of investments for federal income tax purposes was $518,252,000. Net unrealized gain aggregated $207,024,000 at period-end, of which $226,490,000 related to appreciated investments and $19,466,000 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 0.85% 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 other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest in the T. Rowe Price Government Reserve Fund, the T. Rowe Price Treasury Reserve Fund, or the T. Rowe Price Short-Term Fund (collectively, the Price Reserve Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve 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 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, 2017, 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, 2017.

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. An appeal is currently pending; 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 7 - 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 was filed in this case and the district court granted the motion on January 9, 2017. 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 plaintiffs in this second action filed a petition for a writ of certiorari with the U.S. Supreme Court. The U.S. Supreme Court removed the petition from its December 9, 2016 calendar and the matter has not yet been rescheduled. 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 (3.54% 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

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

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In that regard, at an in-person meeting held on March 6–7, 2017 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

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 took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2016, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider 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 fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price 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. 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.

Approval of Investment Management Agreement (continued)

Fees and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and nonmanagement expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and nonmanagement expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Advisor after paying the fund's operating expenses, as well as any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fifth quintile (Expense Group), the fund's actual management fee rate ranked in the fifth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fifth quintile (Expense Group and Expense Universe). The Board requested additional information from management with respect to the fund's relative management fees and total expenses ranking in the fifth quintile for the Expense Group and Expense Universe and reviewed and considered the information provided relating to the fund, other funds in the peer groups, and other factors that the Board determined to be relevant.

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 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).

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T.RowePrice®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

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June 30, 2017

Semiannual Report

International Stock 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 International Stock Portfolio

Highlights

- International stocks generated solid returns in the first half of 2017.
- The International Stock Portfolio gained 17.94% during the six months ended June 30, 2017. Your portfolio significantly outperformed the MSCI All Country World Index ex USA and slightly outperformed the Lipper peer group average.
- We are focused on buying and holding growth companies with durable franchises that can generate double-digit earnings and cash flow growth over the long term.
- We are finding high-quality companies with attractive risk/reward characteristics, although economic growth in many markets remains modest and valuations across markets have risen.

The views and opinions in this report were current as of June 30, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

International stocks posted solid gains in the six months ended June 30, 2017. Although the information technology sector, where we have a substantial overweight allocation, flagged at the end of the reporting period, equities produced broad-based strength across regions, countries, and sectors. We are pleased to report strong results versus our benchmark, the MSCI All Country World Index ex USA. Our unwavering focus is on investing in high-quality growth companies with superior products or services that are taking market share. 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 6/30/17	Total Return
International Stock Portfolio	17.94%
MSCI All Country World Index ex USA	14.45
Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	17.54

The International Stock Portfolio generated a 17.94% gain in the six-month period ended June 30, 2017, outperforming its benchmark, the MSCI All Country World Index ex USA, and modestly outperforming the Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average.

Our results versus the MSCI index benefited from stock selection in the financials and consumer discretionary sectors and allocation decisions, especially our overweight in information technology and underweight in the energy sector. While stock selection in the information technology sector hurt relative results, our holdings generated better than a 26% gain in the past six months. Stock selection in the health care sector, where we are finding attractive growth companies at compelling valuations, was a modest positive contributor, and our significant overweight to the sector, which generated a return exceeding 16%, contributed to relative results. We have been challenged to find stable-growth companies that generate above-average cash flow in the commodity-related sectors. We are also underweight in utilities and real estate for similar reasons. From a regional perspective, our allocations remained mostly in line with those of the benchmark and stock selection (especially in developed Europe, emerging markets, and North America) generated outperformance.

Market Environment

Market Performance

Periods Ended 6/30/17 (In U.S. Dollar Terms)	Total Return 6 Months	12 Months
China	24.96%	32.34%
Germany	16.04	29.52
France	17.93	29.33
Hong Kong	21.56	23.84
Japan	10.11	19.58
Switzerland	19.08	17.52
India	20.53	17.47
United Kingdom	10.04	13.42

Source: RIMES Online, using MSCI indexes.

International developed stock markets generally outperformed U.S. equities. Additionally, U.S. investors invested in international markets benefited from U.S. dollar weakness. Hawkish signals from several major global central banks, including the European Central Bank, Bank of England, and Bank of Canada, sent the greenback lower. The U.S. dollar index, which measures the U.S. currency against six other major currencies, stood near a nine-month low at the end of June. While investors seemed to expect a more gradual pace of interest rate increases from the Federal Reserve given the recent spate of tepid U.S. economic data, tighter monetary policy elsewhere around the globe seemed increasingly probable in the coming months.

Emerging markets equities, which represented about 23% of the portfolio at the end of the period, performed better than developed markets over the past six months. U.S. dollar weakness and subsiding worries about growth in China fueled risk-on asset accumulation. The MSCI Emerging Markets Index gained 18.60% in dollar terms (15.00% in local currency) during the first half of 2017.

Portfolio Review

On an absolute performance basis, the information technology sector generated the best contribution to the portfolio's results. 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. **Tencent Holdings** was the portfolio's top first-half contributor. The company, which is 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. **Alibaba**, **Taiwan Semiconductor Manufacturing**, and **Samsung Electronics** also produced excellent gains. Alibaba has grown into the world's largest retailer. Its China-based e-commerce operations provide business-to-business, business-to-consumer, and consumer-to-consumer sales among its other varied Web services. Taiwan Semiconductor's stock rallied after the company announced that it would hike its dividend and reported good earnings and higher revenue guidance. Samsung continued to innovate and generate strong results. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Sector Diversification

	Percent of Net Assets 12/31/16	6/30/17
Financials	18.5%	18.6%
Information Technology	14.1	16.3
Health Care	15.0	15.9
Consumer Staples	12.4	14.1
Industrials and Business Services	13.1	11.1
Consumer Discretionary	10.2	8.4
Telecommunication Services	4.6	4.3
Materials	4.3	4.1
Energy	3.0	3.1
Utilities	1.6	1.5
Real Estate	0.7	0.7
Other and Reserves	2.5	1.9
Total	100.0%	100.0%

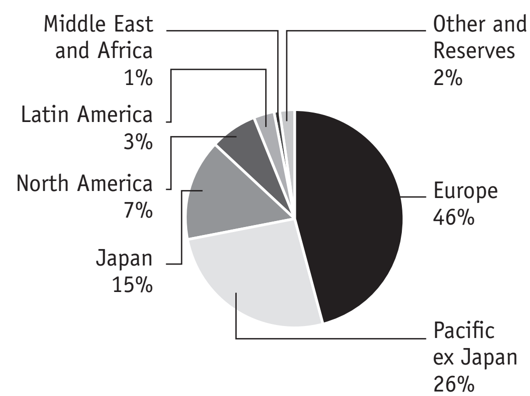
Historical weightings reflect current industry/sector classifications.

Financials remained the largest allocation in the portfolio and the benchmark. Although the sector represents our largest underweight allocation, it was the second-best absolute contributor and the top relative performance contributor. Financial stocks have been hurt by the low interest rate environment, which crimps net interest margins, but they bounced back nicely in the reporting period. Stock selection was especially strong, and banks and insurance holdings posted solid results. Our underweight allocation to the sector is a byproduct of our minimal exposure to Japanese, Canadian, and Australian financials—where we have struggled to find companies offering favorable risk/reward characteristics.

Housing Development Finance and **AIA Group** were the top gainers in the sector, which generated almost uniformly positive performance across our holdings. **BB Seguridade Participacoes** was the portfolio's only financial holding that posted a loss for the six-month reporting period, though we continue to feel confident that the business will benefit in the medium term from structural demand for pension savings in Brazil. It is noteworthy that we rotated out of several long-held positions, including **Turkiye Garanti Bankasi**, **ING Groep**, **Itau Unibanco**, and **Banco Bilbao Vizcaya Argentaria**, and into new positions in **Erste Group Bank**, **Credicorp**, and **Sun Life Financial**, which we believe offer better long-term growth prospects.

The health care sector appears to offer compelling relative value, and we made several additions to our already overweight allocation. One of our recent purchases was **LivaNova** (UK), which was recently created through the merger of U.S.-based Cyberonics and Italy-based Sorin. We believe LivaNova offers attractive growth driven by the company's top position in devices for epilepsy and synergies resulting from the merger.

Geographic Diversification



Based on net assets as of 6/30/17.

Of the portfolio's 120 or so stocks we owned during the first half of the year, only a dozen posted losses. The portfolio's largest detractors came from several different sectors: **Astellas Pharma** in health care; **Brambles**, which we eliminated, in the industrials and business services sector; and **Canadian Natural Resources** in the energy sector. We own few holdings and remain underweight in the telecommunication services, utilities, real estate, and energy sectors. On an absolute performance basis, energy was the only sector that posted a loss, but in aggregate our decision to underweight those sectors generated a strong relative performance contribution.

Outlook

While the market has focused on the positives so far this year, we remain vigilant as valuations have moved higher and many political and economic uncertainties remain. Our portfolio's positioning has been tilted somewhat to reflect these concerns. However, stocks have continued to steadily rise as investors have focused on the lack of negative political surprises and better earnings growth from many companies. We have overweights in health care and consumer staples relative to the more cyclical areas, such as industrials, where we find the valuations already reflect a strong economic growth recovery.

From a regional perspective, our views have shifted only modestly. We added to our holdings in Japan, reducing our underweight allocation. Within emerging markets, our overall allocation has not changed substantially, and we remain underweight in the more commodity-driven markets that exhibit less evidence of structural reform. However, we remain alert for opportunities, and we recently initiated a position in **FirstRand**. In our view, it is one of the premier emerging markets banks, and we were able to buy it at an attractive valuation after South Africa suffered a sell-off driven by political concerns. FirstRand is a good example of a "mispriced growth stock." It is an excellent franchise, but the stock fell sharply on broader macro worries rather than stock-specific issues.

As always, this strategy remains focused on using our bottom-up research to invest in high-quality companies that we feel offer mispriced growth—usually due to short-term headwinds obscuring the longer-term outlook. Our goal is to invest in a contrarian fashion around long-term winning businesses. The steady gains of markets in the past six months have made for fewer obvious sector opportunities to mention, but we continue to find individual companies that fit our desire for long-term winners that are temporarily out of favor.

As bottom-up stock pickers, we remain focused on finding attractively priced stocks—companies we think will continue to post durable growth over the coming years. We utilize a top-down overlay to complement that stock selection process, but we believe our best insights will come at the company level, rather than trying to anticipate headlines.

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, 2017

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

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. Funds investing in a single country or in a limited geographic region tend to be riskier than more diversified funds. 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 available mutual fund performance returns for specified periods in categories defined 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

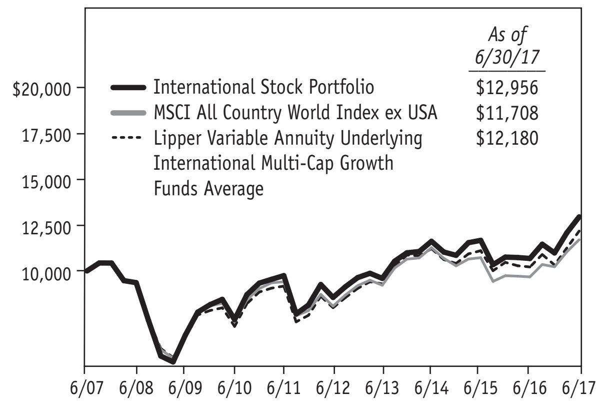
Company	Country	Percent of Net Assets 6/30/17
Nestle	Switzerland	2.8%
Bayer	Germany	2.5
Roche Holding	Switzerland	2.2
CK Hutchison Holdings	Hong Kong	2.2
Priceline	United States	1.9
Taiwan Semiconductor Manufacturing	Taiwan	1.8
AIA Group	Hong Kong	1.8
Tencent Holdings	China	1.7
Shire	United Kingdom	1.6
Nippon Telegraph & Telephone	Japan	1.5
British American Tobacco	United Kingdom	1.4
Sampo	Finland	1.4
Astellas Pharma	Japan	1.4
Housing Development Finance	India	1.4
Total	France	1.3
Seven & i Holdings	Japan	1.3
Samsung Electronics	South Korea	1.3
Amadeus IT	Spain	1.3
Julius Baer	Switzerland	1.2
Mitsubishi Electric	Japan	1.2
Vodafone	United Kingdom	1.2
Sumitomo Corporation	Japan	1.2
Japan Tobacco	Japan	1.2
Fresenius	Germany	1.2
Erste Group Bank	Austria	1.1
Total		39.1%

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 6/30/17	1 Year	5 Years	10 Years
International Stock Portfolio	21.27%	8.66%	2.62%

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 1/1/17	Ending Account Value 6/30/17	Expenses Paid During Period* 1/1/17 to 6/30/17
Actual	$1,000.00	$1,179.40	$5.67
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.59	5.26

*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 (181), and divided by the days in the year (365) 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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 14.27	$ 14.67	$ 15.26	$ 15.72	$ 13.90	$ 11.88
Investment activities						
Net investment income [1]	0.15	0.17	0.14	0.15	0.17	0.15
Net realized and unrealized gain / loss	2.41	0.14	(0.28)	(0.35)	1.78	2.04
Total from investment activities	2.56	0.31	(0.14)	(0.20)	1.95	2.19
Distributions						
Net investment income	–	(0.16)	(0.15)	(0.17)	(0.13)	(0.17)
Net realized gain	–	(0.55)	(0.30)	(0.09)	–	–
Total distributions	–	(0.71)	(0.45)	(0.26)	(0.13)	(0.17)
NET ASSET VALUE						
End of period	**$ 16.83**	**$ 14.27**	**$ 14.67**	**$ 15.26**	**$ 15.72**	**$ 13.90**
Ratios/Supplemental Data						
Total return[2]	**17.94%**	**2.13%**	**(0.90)%**	**(1.24)%**	**14.05%**	**18.44%**
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	1.97%[3]	1.15%	0.88%	0.94%	1.13%	1.16%
Portfolio turnover rate	17.9%	39.5%	37.3%	45.3%	53.1%	41.3%
Net assets, end of period (in thousands)	$ 358,083	$ 310,621	$ 305,031	$ 329,646	$ 355,918	$ 300,353

(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, 2017 (Unaudited)

(Cost and value in $000s)

	Shares	$ Value
AUSTRALIA 2.1%		
Common Stocks 2.1%		
Amcor	315,572	3,931
South32	1,134,179	2,336
Woodside Petroleum	51,606	1,184
Total Australia (Cost $4,968)		**7,451**
AUSTRIA 1.1%		
Common Stocks 1.1%		
Erste Group Bank	105,142	4,027
Total Austria (Cost $3,309)		**4,027**
BELGIUM 0.5%		
Common Stocks 0.5%		
KBC	23,628	1,792
Total Belgium (Cost $1,180)		**1,792**
BRAZIL 1.4%		
Common Stocks 1.4%		
BB Seguridade Participacoes	373,731	3,232
Tim Participacoes ADR (USD)	107,502	1,591
Total Brazil (Cost $4,799)		**4,823**
CANADA 3.2%		
Common Stocks 3.2%		
Alimentation Couche-Tard Series B	56,421	2,704
Canadian Natural Resources	129,400	3,734
Canadian Pacific Railway	21,533	3,465
Sun Life Financial	41,600	1,487
Total Canada (Cost $10,560)		**11,390**

(Cost and value in $000s)

	Shares	$ Value
CHINA 6.3%		
Common Stocks 5.1%		
58.com, ADR (USD) (1)	30,000	1,323
Alibaba Group Holding ADR (USD) (1)	27,400	3,861
Baidu, ADR (USD) (1)	3,200	572
China Mengniu Dairy (HKD)	1,022,000	2,004
China Overseas Land & Investment (HKD)	876,000	2,564
Ctrip.com International, ADR (USD)(1)	42,300	2,278
Tencent Holdings (HKD)	165,500	5,937
		18,539
Common Stocks - China A shares 1.0%		
Gree Electric Appliances Inc. of Zhuhai (CNH)	188,600	1,146
Kweichow Moutai (CNH)	34,351	2,392
		3,538
Convertible Preferred Stocks 0.2%		
Xiaoju Kuaizhi Class A-17 Acquisition Date: 10/19/15 Cost $343 (USD) (1)(2)(3)	12,518	638
		638
Total China (Cost $12,133)		**22,715**
DENMARK 0.7%		
Common Stocks 0.7%		
GN Store Nord	79,566	2,323
Total Denmark (Cost $1,696)		**2,323**
FINLAND 1.4%		
Common Stocks 1.4%		
Sampo, A Shares	99,854	5,123
Total Finland (Cost $4,375)		**5,123**

(Cost and value in $000s)	Shares	$ Value
FRANCE 6.4%		
Common Stocks 6.4%		
Air Liquide	23,944	2,959
Airbus	28,219	2,329
BNP Paribas	45,499	3,276
Dassault Aviation	2,124	2,968
Sanofi	32,830	3,146
Schneider Electric	41,943	3,223
Total	97,190	4,825
Total France (Cost $19,235)		**22,726**
GERMANY 7.0%		
Common Stocks 7.0%		
Bayer	67,822	8,790
Beiersdorf	9,479	997
Fresenius	48,508	4,165
Linde	10,909	2,077
Merck	21,819	2,640
Scout24 Holding	59,885	2,203
Telefonica Deutschland Holding	452,124	2,261
Wirecard (4)	30,791	1,964
Total Germany (Cost $16,996)		**25,097**
HONG KONG 5.0%		
Common Stocks 5.0%		
AIA Group	879,600	6,435
CK Hutchison Holdings	619,384	7,773
Jardine Matheson Holdings (USD)	57,900	3,717
Total Hong Kong (Cost $13,179)		**17,925**
INDIA 5.0%		
Common Stocks 5.0%		
Axis Bank	319,684	2,565
Housing Development Finance	194,028	4,836
Infosys	154,037	2,227
NTPC Limited	1,372,205	3,374
Power Grid Corp of India	631,412	2,055

(Cost and value in $000s)	Shares	$ Value
Tata Consultancy	39,362	1,437
Wipro	388,032	1,556
Total India (Cost $11,982)		**18,050**
INDONESIA 1.5%		
Common Stocks 1.5%		
Bank Central Asia	2,441,100	3,329
Sarana Menara Nusantara	6,820,300	1,944
Total Indonesia (Cost $3,211)		**5,273**
ITALY 0.9%		
Common Stocks 0.9%		
Banca Mediolanum	386,015	3,206
Total Italy (Cost $2,930)		**3,206**
JAPAN 15.0%		
Common Stocks 15.0%		
Air Water	56,800	1,048
Astellas Pharma	400,700	4,911
Chugai Pharmaceutical	67,100	2,514
Credit Saison	48,000	940
CyberAgent	58,600	1,820
Fujitsu General	65,000	1,507
Inpex	147,400	1,423
Japan Tobacco	119,300	4,193
Kansai Paint	57,000	1,316
Koito Manufacturing	43,500	2,249
Mitsubishi Electric	298,400	4,316
Nippon Telegraph & Telephone	114,500	5,405
Olympus	56,800	2,081
Renesas Electronics (1)	88,500	774
Seven & i Holdings	115,800	4,778
Square Enix Holdings	31,600	1,036
Sumitomo	325,900	4,250
Suzuki Motor	44,800	2,134
Tokio Marine Holdings	90,200	3,754

(Cost and value in $000s)	Shares	$ Value
Yahoo! Japan	709,600	3,085
Total Japan (Cost $43,719)		**53,534**
MALAYSIA 0.4%		
Common Stocks 0.4%		
Astro Malaysia Holdings	2,100,200	1,238
Total Malaysia (Cost $1,876)		**1,238**
MEXICO 1.0%		
Common Stocks 1.0%		
Grupo Financiero Santander Mexico Series B, ADR (USD)	375,470	3,620
Total Mexico (Cost $3,503)		**3,620**
NETHERLANDS 2.3%		
Common Stocks 2.3%		
Altice, Class A (1)	86,625	1,996
ASML Holding	19,111	2,491
NXP Semiconductors (USD) (1)	34,700	3,798
Total Netherlands (Cost $3,280)		**8,285**
PERU 0.3%		
Common Stocks 0.3%		
Credicorp (USD)	5,556	997
Total Peru (Cost $877)		**997**
SOUTH AFRICA 0.4%		
Common Stocks 0.4%		
FirstRand	436,975	1,576
Total South Africa (Cost $1,456)		**1,576**

(Cost and value in $000s)	Shares	$ Value
SOUTH KOREA 3.4%		
Common Stocks 3.4%		
LG Household & Health Care	3,359	2,918
NAVER	4,536	3,325
Netmarble Games (1)	9,077	1,230
Samsung Electronics	2,267	4,722
Total South Korea (Cost $7,976)		**12,195**
SPAIN 2.3%		
Common Stocks 2.3%		
Amadeus IT, A Shares	75,412	4,508
Grifols, ADR (USD)	179,913	3,801
Total Spain (Cost $5,764)		**8,309**
SWEDEN 2.9%		
Common Stocks 2.9%		
Essity, B Shares (1)	143,842	3,935
Hexagon, B Shares	64,548	3,067
Svenska Cellulosa, B Shares	116,810	884
Svenska Handelsbanken A Shares	185,183	2,652
Total Sweden (Cost $8,086)		**10,538**
SWITZERLAND 6.8%		
Common Stocks 6.8%		
GAM Holding	94,404	1,269
Julius Baer	82,738	4,372
Nestle	116,045	10,121
Novartis	7,870	657
Roche Holding	31,131	7,955
Total Switzerland (Cost $21,096)		**24,374**

	Shares	$ Value
(Cost and value in $000s)		
TAIWAN 1.8%		
Common Stocks 1.8%		
Taiwan Semiconductor Manufacturing	942,000	6,436
Total Taiwan (Cost $2,824)		**6,436**
THAILAND 0.5%		
Common Stocks 0.5%		
CP ALL	953,300	1,761
Total Thailand (Cost $1,042)		**1,761**
UNITED ARAB EMIRATES 0.6%		
Common Stocks 0.6%		
DP World (USD)	103,259	2,159
Total United Arab Emirates (Cost $439)		**2,159**
UNITED KINGDOM 13.7%		
Common Stocks 13.7%		
Aviva	186,253	1,278
British American Tobacco	76,151	5,189
Burberry	71,074	1,538
Capita	276,954	2,496
ConvaTec (1)	526,166	2,186
easyJet	44,654	791
Experian	107,838	2,213
Liberty Global Series C (USD) (1)	110,700	3,452
Liberty Global Plc LiLAC Class C (USD) (1)	87,168	1,866
LivaNova (USD) (1)	35,345	2,164
Lloyds Banking Group	2,567,108	2,212
Prudential	143,269	3,289
Reckitt Benckiser	37,722	3,824
Royal Bank of Scotland (1)	392,125	1,265
Shire	106,719	5,884
Smith & Nephew	205,153	3,543
Vodafone	1,503,300	4,269
WPP	80,988	1,705
Total United Kingdom (Cost $44,121)		**49,164**
UNITED STATES 4.3%		
Common Stocks 4.3%		
Colgate-Palmolive	39,800	2,950
MasterCard, Class A	22,700	2,757
Philip Morris International	24,700	2,901
Priceline (1)	3,567	6,672
Total United States (Cost $8,801)		**15,280**
SHORT-TERM INVESTMENTS 1.6%		
Money Market Funds 1.6%		
T. Rowe Price Government Reserve Fund, 0.99% (5)(6)	5,759,210	5,759
Total Short-Term Investments (Cost $5,759)		**5,759**
SECURITIES LENDING COLLATERAL 0.4%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.4%		
Short-Term Funds 0.4%		
T. Rowe Price Short-Term Fund, 1.07% (5)(6)	147,861	1,479
Total Investments through Securities Lending Program with JPMorgan Chase Bank		**1,479**
Total Securities Lending Collateral (Cost $1,479)		**1,479**
Total Investments in Securities		
100.2% of Net Assets (Cost $272,651)		**$ 358,625**

‡ 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 $638 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, 2017 -- total value of such securities at period-end amounts to $1,414. See Note 4.
(5) Seven-day yield
(6) Affiliated Company
ADR American Depository Receipts
CNH Offshore China Renminbi
GBP British Pound
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)
Bank of America Merrill Lynch	7/19/17	USD	1,794	GBP	1,406	$ (38)
Goldman Sachs	7/19/17	USD	2,689	JPY	295,649	59
Net unrealized gain (loss) on open forward currency exchange contracts						$ 21

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, 2017. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/17	Value 12/31/16
T. Rowe Price Government Reserve Fund	¤	¤	$ 25	$ 5,759	$ 7,055
T. Rowe Price Short-Term Fund	¤	¤	–^	1,479	2,717
Totals			$ 25	$ 7,238	$ 9,772

¤ 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	$ 7,238
Dividend income	25
Interest income	—
Investment income	$ 25
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 International Stock Portfolio
June 30, 2017 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $272,651)	$	358,625
Dividends and interest receivable		727
Foreign currency (cost $544)		545
Receivable for investment securities sold		146
Unrealized gain on forward currency exchange contracts		59
Cash		50
Receivable for shares sold		9
Other assets		674
Total assets		360,835
Liabilities		
Obligation to return securities lending collateral		1,479
Payable for investment securities purchased		401
Investment management and administrative fees payable		386
Payable for shares redeemed		69
Unrealized loss on forward currency exchange contracts		38
Other liabilities		379
Total liabilities		2,752
NET ASSETS	**$**	**358,083**
Net Assets Consist of:		
Undistributed net investment income	$	3,533
Accumulated undistributed net realized gain		3,477
Net unrealized gain		85,990
Paid-in capital applicable to 21,271,689 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		265,083
NET ASSETS	**$**	**358,083**
NET ASSET VALUE PER SHARE	**$**	**16.83**

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 6/30/17
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of $453)	$ 5,033
Securities lending	41
Total income	5,074
Investment management and administrative expense	1,770
Net investment income	3,304
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	7,333
Written options	17
Foreign currency transactions	122
Net realized gain	7,472
Change in net unrealized gain / loss	
Securities	44,753
Written options	(7)
Other assets and liabilities denominated in foreign currencies	(239)
Change in net unrealized gain / loss	44,507
Net realized and unrealized gain / loss	51,979
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 55,283**

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 6/30/17	Year Ended 12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 3,304	$ 3,536
Net realized gain	7,472	10,799
Change in net unrealized gain / loss	44,507	(7,412)
Increase in net assets from operations	55,283	6,923
Distributions to shareholders		
Net investment income	–	(3,325)
Net realized gain	–	(11,428)
Decrease in net assets from distributions	–	(14,753)
Capital share transactions*		
Shares sold	9,202	34,661
Distributions reinvested	–	14,753
Shares redeemed	(17,023)	(35,994)
Increase (decrease) in net assets from capital share transactions	(7,821)	13,420
Net Assets		
Increase during period	47,462	5,590
Beginning of period	310,621	305,031
End of period	**$ 358,083**	**$ 310,621**
Undistributed net investment income	3,533	229
*Share information		
Shares sold	576	2,387
Distributions reinvested	–	1,037
Shares redeemed	(1,076)	(2,438)
Increase (decrease) in shares outstanding	(500)	986

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 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 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. A capital gain distribution may also be 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.

New Accounting Guidance In October 2016, the Securities and Exchange Commission (SEC) issued a new rule, *Investment Company Reporting Modernization*, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements related to periods ending on or after August 1, 2017; adoption will have no effect on the fund's net assets or results of operations.

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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

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) is an internal committee that has been delegated certain responsibilities 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, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	**Significant Observable Inputs**	**Significant Unobservable Inputs**	
Assets				
Investments in Securities, except:	$ –	$ 238,194	$ –	$ 238,194
Brazil	1,591	3,232	–	4,823
China	8,034	14,043	638	22,715
Mexico	3,620	–	–	3,620
Netherlands	3,798	4,487	–	8,285
Peru	997	–	–	997
Spain	3,801	4,508	–	8,309
United Kingdom	7,482	41,682	–	49,164
United States	15,280	–	–	15,280
Short-Term Investments	5,759	–	–	5,759
Securities Lending Collateral	1,479	–	–	1,479
Total Securities	51,841	306,146	638	358,625
Forward Currency Exchange Contracts	–	59	–	59
Total	$ 51,841	$ 306,205	$ 638	$ 358,684
Liabilities				
Forward Currency Exchange Contracts	$ –	$ 38	$ –	$ 38

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2017. 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, 2017, totaled $160,000 for the six months ended June 30, 2017.

($000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Ending Balance 6/30/17
Investments in Securities			
Convertible Preferred Stocks	$ 478	$ 160	$ 638

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2017, 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, 2017, the fund held foreign exchange derivatives with a fair value of $59,000, included in unrealized gain on forward currency exchange contracts, and $38,000, 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, 2017, 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)			
Foreign exchange derivatives	$ –	$ 92	$ 92
Equity derivatives	17	–	17
Total	$ 17	$ 92	$ 109
Change in Unrealized Gain / Loss			
Foreign exchange derivatives	$ –	$ (264)	$ (264)
Equity derivatives	(7)	–	(7)
Total	$ (7)	$ (264)	$ (271)

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 require the exchange of collateral to cover mark-to-market exposure. 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 termination of transactions and net settlement upon the occurrence of contractually specified 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 specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount determined. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily 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 typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is 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 at the fund's custodian. As of June 30, 2017, 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, 2017, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally between 1% and 2% 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, 2017, 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, 2017, were as follows:

($000s)	Number of Contracts	Premiums
Outstanding at beginning of period	275	$ 17
Written	172	14
Exercised	(236)	(13)
Expired	(211)	(18)
Outstanding at end of period	0	$ 0

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 23% 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, 2017, the value of loaned securities was $1,414,000; the value of cash collateral and related investments was $1,479,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $58,854,000 and $59,136,000, respectively, for the six months ended June 30, 2017.

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, 2017, the cost of investments for federal income tax purposes was $276,012,000. Net unrealized gain aggregated $82,629,000 at period-end, of which $90,989,000 related to appreciated investments and $8,360,000 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, 2017, the fund had no deferred tax liability attributable to foreign securities and $1,389,000 of foreign capital loss carryforwards, including $496,000 that expire in 2018, $195,000 that expire in 2019, $422,000 that expire in 2020, $40,000 that expire in 2021, $18,000 that expire in 2022, $195,000 that expire in 2023, and $23,000 that expire in 2025.

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 sub-advisory 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 other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest in the T. Rowe Price Government Reserve Fund, the T. Rowe Price Treasury Reserve Fund, or the T. Rowe Price Short-Term Fund (collectively, the Price Reserve Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve 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 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, 2017, 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

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

Each year, the fund's Board of Directors (Board) considers 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 that regard, at an in-person meeting held on March 6–7, 2017 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract and Subadvisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and Subadvisor and the approval of the Advisory Contract and Subadvisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract and Subadvisory Contract by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract and Subadvisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor and Subadvisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

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 took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2016, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider 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 fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price 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.

Approval of Investment Management Agreement and Subadvisory Agreement (continued)

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. 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.

Fees and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and nonmanagement expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and nonmanagement expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Advisor after paying the fund's operating expenses, as well as any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fifth quintile (Expense Group), the fund's actual management fee rate ranked in the fifth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fifth quintile (Expense Group and Expense Universe). The Board requested additional information from management with respect to the fund's relative management fees and total expenses ranking in the fifth quintile for the Expense Group and Expense Universe and reviewed and considered the information provided relating to the fund, other funds in the peer groups, and other factors that the Board determined to be relevant.

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 funds than it does for institutional account clients.

Approval of Investment Management Agreement and Subadvisory Agreement (continued)

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).

T. Rowe Price
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

201708-229545

E301-051 8/17

June 30, 2017

Semiannual Report

Mid-Cap Growth 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 Mid-Cap Growth Portfolio

Highlights

- Mid-cap growth stocks recorded a solid return in the first half of 2017.
- The Mid-Cap Growth Portfolio outpaced its benchmark and peer group in the period.
- The end of June marked the 25th anniversary of our sister Mid-Cap Growth Fund, and we are pleased to report that our actively managed portfolio has consistently outpaced its benchmark over the years.
- Index funds and other passive strategies have benefited in recent years from the Fed's indiscriminate boost to asset prices, but higher rates may again highlight the value of active approaches such as ours.

Manager's Letter

T. Rowe Price Mid-Cap Growth Portfolio

Dear Investor

Mid-cap growth stocks powered ahead in the first half of 2017, trailing only large-cap growth shares among the major asset categories. Even more impressive than the scale of the market's advance may have been its steadiness, with the major benchmarks rarely moving over 1% on a daily basis and not suffering any major setbacks over the period. We are pleased to report that our portfolio managed to handily outpace its benchmark in the first half of the year, and we discuss below how our performance stacks up even better over the 25 years we have been operating this strategy. We are always on guard against possible volatility ahead, however, and we consider how the market's broad advance is itself a cause for concern.

Performance Comparison

Six-Month Period Ended 6/30/17	Total Return
Mid-Cap Growth Portfolio	14.59%
Mid-Cap Growth Portfolio–II	14.40
Russell Midcap Growth Index	11.40
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	13.75

The Mid-Cap Growth Portfolio returned 14.59% in the six months ended June 30, 2017; the Mid-Cap Growth Portfolio–II returned 14.40% over that same period. The portfolio outperformed its benchmark and peer group average and remained favorably ranked relative to its competitors over all time periods. (Based on cumulative total return, Lipper ranked the Mid-Cap Growth Portfolio 33 of 90, 7 of 88, 7 of 87, and 3 of 69 funds in the variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended June 30, 2017, respectively. Lipper ranked the Mid-Cap Growth Portfolio–II 40 of 90, 11 of 88, 14 of 87, and 9 of 69 funds in the variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended June 30, 2017, respectively. *Past performance cannot guarantee future results.*)

A Note on the 25th Anniversary of the Mid-Cap Growth Fund

Five years ago, when the portfolio's sister Mid-Cap Growth Fund celebrated its 20th anniversary, we used this letter to offer our perspective on how the markets had evolved over the previous two decades and described some of the lessons we had learned over that time. As we now mark a quarter century since the Mid-Cap Growth Fund's inception in June 1992, our perspective continues to evolve. In fact, we would like to use this chance to briefly address the most fundamental question of all: Why are we here? Of course, we do not mean that in a cosmic sense, which would make for a rather odd shareholder letter. Rather, the question is a more parochial one: What purpose does our portfolio serve? Has our management made a difference?

Given the rise of index funds and other passive investing strategies, this is a question that many in our industry are asking themselves. To be sure, the answer can be complicated, especially when day after day of diligent research into individual stocks can still result in performance that lags the market for long periods of time. And the questions that advocates of passive strategies ask are valid ones. Can any investor consistently make better judgments than the consensus? Hasn't technology made information advantages obsolete? Why do so many active funds so often trail their benchmarks? Are managers who outperform just lucky?

It is not our role to try to provide definitive answers to these questions, much less to serve as spokespersons for the entire active management industry. What we can say with some satisfaction, however, is that with each passing year, even the greatest skeptics of active management would have to concede that it's highly unlikely that we are the proverbial blind monkey, throwing darts and managing to hit our target. In past letters, we have described what we see as the most important factor driving our results—a disciplined investment process that hasn't changed in 25 years. Key components of our approach are our long-term perspective, which allows us to exploit market inefficiencies; the depth of the fundamental research we can undertake with the help of our analysts; and our assessments of company managements.

Quantifying the precise chance that our long-term success is attributable to some degree of skill is difficult. For this reason, perhaps it is best simply to show our performance over various time horizons and let readers decide (see tables on page 2). We are pleased to note that over the past 20 years of the Mid-Cap Growth Portfolio (it will mark its own 25th anniversary at the end of 2021), we've beaten our benchmark by 3.00% a year after fees and expenses. In the last 10 years, a much more difficult period for active management, we've beaten our benchmark by 2.11% a year. Put differently, an investment of $10,000 in our benchmark 20 years ago would have been worth $48,951 on June 30, 2017, while an identical investment in our portfolio would be worth $84,485.

Annualized Returns

As of 6/30/17	1 Year	5 Years	10 Years	15 Years	20 Years
Mid-Cap Growth Portfolio	19.94%	16.24%	9.98%	11.69%	11.26%
Russell Midcap Growth Index	17.05	14.19	7.87	10.34	8.26
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	18.87	13.14	7.06	9.13	7.57

Cumulative Returns

As of 6/30/17	1 Year	5 Years	10 Years	15 Years	20 Years
Mid-Cap Growth Portfolio	19.94%	112.23%	158.79%	424.87%	744.85%
Russell Midcap Growth Index	17.05	94.17	113.38	337.62	389.51
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	18.87	86.06	100.33	279.92	361.01

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.

Above all, these results demonstrate the value of compounding excess returns and vindicate our efforts to do just a bit better every year, if possible—a goal we do not always achieve but often have. We never seek to shoot the lights out by making large wagers on individual stocks. Instead, we have attempted through the years to structure a portfolio of mid-cap growth stocks that we hope will keep up with the market when stocks are rising (which can be challenging given the periodic waves of euphoria that can sweep up mid-cap growth stocks), and, conversely, we aspire to do better (or, more accurately, less badly) than our benchmark and peers when stocks are falling.

Of course, past performance is not a guarantee of future results—and we might add that a quarter century of tenure managing mid-cap growth portfolios is not a guarantee of another quarter century to come! Nevertheless, we are pleased to report to you on our long-term record, and we are grateful for the many shareholders who have placed their confidence in us for much of the past 25 years.

Market Environment

The postcrisis bull market and economic expansion marked their eighth birthdays in the first half of 2017, placing both among the longest-lived in postwar history. The promise of a "Trump reflation" predicated on deregulation and fiscal stimulus deserve part of the credit for the market's gains. Postelection expectations were elevated, with measures of both business and consumer confidence hovering close to multiyear highs. Surveys of manufacturing and service sector activity also indicated solid expansion. Yet a notable gap emerged between such "soft" survey data and "hard" data on consumer spending and business investment. Overall economic growth was subdued in the first quarter, with gross domestic product increasing at an annualized pace of only 1.4%. As we write, we believe the data will show that growth picked up slightly in the second quarter, but we anticipate the pace for the year as a whole to remain roughly in line with 2016's modest advance.

Fears that the Trump administration's agenda of tax cuts and infrastructure spending were being subsumed by political gridlock were a primary reason for the reduced growth expectations. The Republicans' inability to quickly pass an Obamacare replacement called into question their broader legislative program, particularly since the party's leaders had suggested that the tax cuts in their health care bill were a necessary first step in broader tax reform. The deepening political controversy over the Trump campaign's alleged ties with Russia also sowed doubts about how much political capital the president could call upon to manage a widespread change in the nation's tax laws—a process that inevitably creates losers as well as winners. These controversies resulted in only temporary ripples in the market as investors concluded, rightly or wrongly, that much of the squabbling in Washington was merely a continuation of the partisan political warfare we've witnessed now for many years.

The market's resilience in the face of the administration's inability to begin to enact a growth agenda might also be attributable to the favorable earnings environment. In particular, it became clear that the profits recession of 2015 and 2016 had ended. Stocks recorded the bulk of their gains in January and February as fourth-quarter earnings reports were released and again in April and May as first-quarter reports proved even more favorable. Indeed, earnings for the S&P 500 Index as a whole increased by nearly 14% in the first quarter, according to research firm FactSet, their best showing since 2011. A swing to profitability in the energy sector deserved much of the credit, but technology, financial, and materials companies also recorded strong gains. Investors were also pleased to see growth picking up again in Europe and remaining strong in China and other emerging markets.

Finally, the Federal Reserve's intent to nurture asset prices again deserved some of the credit for the market's gains. The Fed raised interest rates twice in early 2017, but policymakers took constant care to assure investors that they were moving slowly to normalize monetary policy and would pause the moment that they saw signs not only of an economic slowdown, but also turmoil in financial markets. In this context, it is not surprising that the market's advance was generally slow and steady; in fact, in May, the Chicago Board Options Exchange's Volatility Index, the VIX, briefly touched its lowest level in almost a quarter of a century.

Growth vs. Value

Periods Ended 6/30/17	6 Months	12 Months	3 Years	5 Years
Russell Midcap Growth Index	11.40%	17.05%	25.37%	94.17%
Russell Midcap Value Index	5.18	15.93	24.08	102.36

Cumulative returns.

A mixture of these dynamics helped growth stocks dramatically outperform value shares in the first half of the year, as shown in the Growth vs. Value table. In particular, technology and other "secular" growth stocks seized market leadership back from the cyclically sensitive value stocks that outperformed in 2016, especially after the November elections raised expectations for faster growth and higher interest rates. Within the Russell Midcap Growth Index, health care and information technology shares performed best, while consumer staples, consumer discretionary, and industrials and business services shares lagged.

Portfolio Review

In such a strong market, it is not surprising that a large majority of the portfolio's holdings experienced positive returns in the first half of our fiscal year, with only the very small energy sector (around 1% of the portfolio) detracting from overall results. The technology sector, which represents about one-fifth of the portfolio, contributed the most to our results. Our standout contributors here included **Microchip Technology**, a maker of microcontrollers that benefited from the very successful integration of its acquisition of Atmel and from an updraft in semiconductor stocks, and longtime holding **Fiserv**, which provides financial processing and mobile payments services. (Please refer to the portfolio of investments for a complete list of our holdings and the amount each represents in the portfolio.)

In our last letter, we described our continued focus on service providers within the health care sector, and three of our top 10 contributors in the first half of 2017 came from the segment. **Teleflex**, which specializes in single-use medical devices used in surgery and acute care, rose in part as investors rewarded its astute acquisition of a vascular equipment provider. **Intuitive Surgical** remains the world's leading provider of operating room robots, with little competition on the horizon, and the stock rose as the company continued its strong profit growth. **Cooper Companies**, a leading maker of specialty contact lenses (such as the multifocal contact lenses that we both use), has benefited as acquisitions made several years ago have been successfully integrated and have begun to flow through to the bottom line. **MEDNAX**, which offers outsourced physician services, was a notable detractor after the company experienced a decline in hospital admissions in both its neonatology and anesthesiology businesses. We expect both downturns to be temporary, however.

Although the industrial sector—long a focus of the portfolio—lagged the market, it was quite additive to our results as several longtime holdings performed well. **IHS Markit**, the product of a merger last year between IHS, held in our portfolio since 2006, and financial services provider Markit, was our top contributor within the sector, and we reduced our position on the gains. **IDEX**, which we've held since 2007, rose on an uptick in sales of its pumps and flow meters. **Roper Technologies**, a broadly diversified industrial company built through acquisitions that we've held since 2002, was also strong, thanks in part to improved oil and gas markets. **Acuity Brands**, a maker of lighting fixtures and controls, was a notable detractor after the company missed earnings estimates.

Consumer discretionary is another large sector within the portfolio, although we have remained underweight relative to our benchmark given our guarded outlook about consumer spending and wage growth. **Marriott**, the world's largest hotel operator, provided a large boost to our returns after beating earnings estimates in consecutive quarters. **Coach** also performed well; the company's fundamentals continued to improve as it transitions to more of a lifestyle brand from one focused almost exclusively on handbags. Retailers exposed to the onslaught of Amazon performed poorly, however. For instance, sales and earnings faltered at **Dick's Sporting Goods**, which we had thought might benefit from being the last man standing in the bricks-and-mortar sporting goods sector. We had also surmised that auto parts stores might be better insulated from the move online—especially since such stores also include service providers such as repair shops—but **AutoZone** and **O'Reilly Automotive** suffered from greater caution among Hispanic consumers; generally mild weather, which occasions fewer auto repairs; and fears that Amazon is encroaching on their businesses. **L Brands**, the operator of Victoria's Secret and Bath & Body Works, struggled with issues specific to its businesses (such as assortment and fashion shifts) but also with a precipitous decline in foot traffic within many of the malls in which it operates, a phenomenon being exacerbated by the move by consumers online.

Sector Diversification

	Percent of Net Assets	
	12/31/16	6/30/17
Industrials and Business Services	19.3%	20.7%
Health Care	19.0	20.3
Information Technology	18.9	20.0
Consumer Discretionary	16.6	13.3
Financials	11.4	9.3
Materials	5.4	5.6
Consumer Staples	2.2	2.4
Energy	1.7	0.9
Real Estate	0.7	0.8
Telecommunication Services	1.2	0.0
Utilities	0.0	0.0
Other and Reserves	3.6	6.7
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

We experienced mixed results in our financials sector holdings. **TD Ameritrade Holding** fell significantly in the period over worries of a price war among discount brokerages. We are less concerned about this issue than the market and added to this longtime holding. The stock's poor performance was offset in our portfolio by good results from **CBOE Holdings** and **MSCI**, however. We also benefited from the robust performance of title insurance and mortgage services provider **FNF**. The company reported solid trends in both its residential and commercial markets, and we think it should continue to grow earnings as the housing market recovers.

As always, recent additions to the portfolio reflect our desire to remain well diversified while focusing on growth segments where valuations are reasonable. We initiated a position in **IAC InterActiveCorp**, a holding company that nurtures consumer-oriented Internet firms. The company will soon own a majority stake in ANGI Homeservices, the home services marketplace resulting from the pending merger of HomeAdvisor and Angie's List, which we think offers strong potential. We also established a new position in **Casey's General Stores**, a convenience store operator that continues to grow at a solid pace, primarily in very small towns across the Midwest. Finally, we purchased **Marvell Technology Group**, a digital semiconductor company that we believe can significantly grow its profitability in the years ahead under a new management team.

Investment Strategy and Outlook

Over the 25 years we've written these letters, we have often described how we find ourselves fighting the tide of market sentiment. Over the past several years, it seems as if that tide has strengthened. Both good and bad companies have been swept up in the market's gains or losses, often with little attention seemingly paid to corporate fundamentals. In market terms, stock correlations have increased—a trend that was particularly evident in the years immediately after the financial crisis. From this perspective, our favorable relative performance in recent years has been somewhat surprising.

Extreme monetary accommodation has been at least partly responsible for the increased correlations. Thanks to the near-zero interest rate policy of the Federal Reserve and other central banks, even poorly performing companies have had access to cheap capital. This has allowed some firms that might otherwise have failed to stay in business. It has also allowed many more marginal firms to buy back stock, acquire competitors, and engage in financial engineering that boosts their stock prices. In addition, the meager yields on bonds have pushed investors into stocks and other risky assets, just as policymakers intended.

Increased stock correlations have also enjoyed a symbiotic relationship with the rise of passive investing. On the one hand, the growing prominence of index funds and exchange-traded funds (ETFs) has fostered correlations as assets now move in and out of the market as a whole, rather than in and out of individual securities. Higher correlations have also made it harder for active managers to outperform, drawing more money into passive strategies.

This suggests that a change in Fed policy could undermine both correlations and foster an environment more conducive to active management. In fact, correlations among sectors in the market have begun very recently to show more dispersion. To be sure, the turn toward monetary tightening is only in its beginning stages, with the federal funds rate still exceptionally low by historical standards and companies still able to issue debt at negligible costs. After several years, however, a return to a meaningful cost of capital is likely to put pressure on marginal businesses, some of which will probably buckle. Rising rates could also arrive against the background of peaking profit margins due to higher wage costs.

To be clear, we are not predicting an imminent recession or bear market. When the next downturn does come, however, we believe that our willingness to swim against the tide when necessary in search of reasonably valued growth stocks will once again benefit our shareholders. At the same time, we suspect that many individual investors who believe they have taken a conservative stance by investing in highly diversified index funds will find to their dismay how risky such funds can actually be. (As an aside, the liquidity of many ETFs is illusory because it far exceeds the liquidity of the underlying securities. This does not matter when ETF flows are steady or somewhat balanced, but it will matter a lot when sentiment swings to one extreme or another.)

We are grateful that our shareholders have chosen to swim against the tide themselves by forgoing the rush to passive management and placing their faith in our stock picking. We will do our best to continue to merit your confidence.

Respectfully submitted,

Brian W.H. Berghuis
Chairman of the portfolio's Investment Advisory Committee

John F. Wakeman
Executive vice president of the portfolio

July 17, 2017

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 Stock Investing

As with all stock and bond mutual funds, the fund'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

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

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 6/30/17
Willis Towers Watson	2.0%
Teleflex	2.0
Textron	2.0
FNF	1.7
Fiserv	1.7
Hologic	1.7
Coach	1.7
IDEX	1.7
Roper Technologies	1.7
Norwegian Cruise Line Holdings	1.6
Microchip Technology	1.6
Cooper Companies	1.6
Agilent Technologies	1.5
Equifax	1.4
CBOE Holdings	1.4
Sensata Technologies Holding	1.4
Dollar General	1.4
Keysight Technologies	1.4
Ball	1.3
Envision Healthcare	1.3
TD Ameritrade Holding	1.2
Progressive	1.2
Waste Connections	1.2
Red Hat	1.2
Harris	1.1
Total	38.0%

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 6/30/17

BEST CONTRIBUTORS	
Teleflex	13¢
FNF	13
Cooper Companies	12
Coach	12
Intuitive Surgical	12
Norwegian Cruise Line Holdings	11
Red Hat	10
Roper Technologies	10
IDEX	10
Agilent Technologies	10
Total	113¢

WORST CONTRIBUTORS	
AutoZone	-11¢
O'Reilly Automotive	-6
MEDNAX	-3
L Brands	-3
Dick's Sporting Goods	-3
Sabre	-2
Textron	-2
ARC Resources	-2
Michaels	-1
Conagra Brands	-1
Total	-34¢

12 Months Ended 6/30/17

BEST CONTRIBUTORS	
Microchip Technology	19¢
Marriott	16
IDEX	14
Norwegian Cruise Line Holdings	14
Cooper Companies	13
Roper Technologies	13
TD Ameritrade Holding	13
Textron	12
Harman International**	12
Hologic	12
Total	138¢

WORST CONTRIBUTORS	
AutoZone	-12¢
Dollar General	-9
Michaels	-8
EQT**	-6
MEDNAX	-6
O'Reilly Automotive	-5
TripAdvisor	-4
TreeHouse Foods	-4
Dick's Sporting Goods*	-3
Hanesbrands**	-3
Total	-60¢

*Position added.
**Position eliminated.

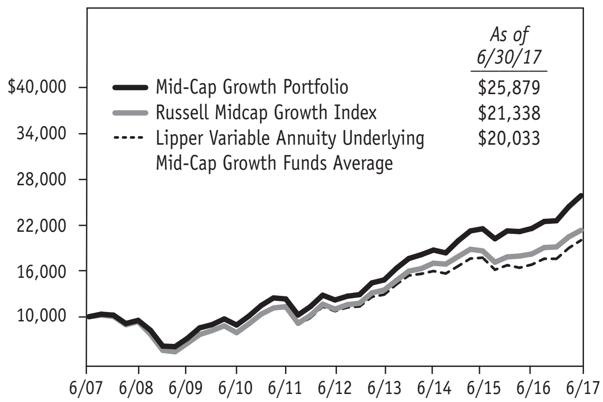
Performance and Expenses

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 6/30/17	1 Year	5 Years	10 Years
Mid-Cap Growth Portfolio	19.94%	16.24%	9.98%
Mid-Cap Growth Portfolio–II	19.67	15.95	9.70

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 1/1/17	Ending Account Value 6/30/17	Expenses Paid During Period* 1/1/17 to 6/30/17
Mid-Cap Growth Portfolio			
Actual	$1,000.00	$1,145.90	$4.52
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.58	4.26
Mid-Cap Growth Portfolio–II			
Actual	1,000.00	1,144.00	5.85
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.34	5.51

*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 (181), and divided by the days in the year (365) 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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 25.57	$ 25.70	$ 27.88	$ 27.70	$ 22.00	$ 21.27
Investment activities						
Net investment loss[1]	(0.02)	(0.03)	(0.05)	(0.07)	(0.08)	(0.01)
Net realized and unrealized gain / loss	3.75	1.66	1.85	3.62	8.10	2.97
Total from investment activities	3.73	1.63	1.80	3.55	8.02	2.96
Distributions						
Net realized gain	–	(1.76)	(3.98)	(3.37)	(2.32)	(2.23)
NET ASSET VALUE						
End of period	**$ 29.30**	**$ 25.57**	**$ 25.70**	**$ 27.88**	**$ 27.70**	**$ 22.00**

Ratios/Supplemental Data

Total return[2]	**14.59%**	**6.26%**	**6.56%**	**13.12%**	**36.69%**	**13.90%**
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	(0.12)%[3]	(0.11)%	(0.18)%	(0.25)%	(0.30)%	(0.04)%
Portfolio turnover rate	11.5%	28.9%	29.4%	26.1%	25.1%	27.5%
Net assets, end of period (in thousands)	$ 387,794	$ 353,074	$ 350,626	$ 356,083	$ 342,210	$ 271,056

(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 6/30/17	Year Ended 12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
NET ASSET VALUE						
Beginning of period	$ 24.65	$ 24.85	$ 27.08	$ 26.99	$ 21.49	$ 20.82
Investment activities						
Net investment loss[1]	(0.05)	(0.09)	(0.12)	(0.14)	(0.14)	(0.07)
Net realized and unrealized gain / loss	3.60	1.61	1.79	3.52	7.91	2.91
Total from investment activities	3.55	1.52	1.67	3.38	7.77	2.84
Distributions						
Net realized gain	–	(1.72)	(3.90)	(3.29)	(2.27)	(2.17)
NET ASSET VALUE						
End of period	**$ 28.20**	**$ 24.65**	**$ 24.85**	**$ 27.08**	**$ 26.99**	**$ 21.49**

Ratios/Supplemental Data

Total return[2]	**14.40%**	**6.03%**	**6.27%**	**12.82%**	**36.40%**	**13.62%**
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	(0.37)%[3]	(0.36)%	(0.43)%	(0.50)%	(0.55)%	(0.30)%
Portfolio turnover rate	11.5%	28.9%	29.4%	26.1%	25.1%	27.5%
Net assets, end of period (in thousands)	$ 59,884	$ 54,691	$ 52,528	$ 68,497	$ 63,572	$ 48,850

(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, 2017 (Unaudited)

(Cost and value in $000s)

	Shares	$ Value
COMMON STOCKS 92.7%		
Consumer Discretionary 13.3%		
Automobiles 0.4%		
Ferrari	18,000	1,548
Tesla (1)	1,000	362
		1,910
Hotels, Restaurants & Leisure 5.1%		
Aramark	70,000	2,868
Marriott, Class A	51,000	5,116
MGM Resorts International	113,000	3,536
Norwegian Cruise Line Holdings (1)	134,000	7,275
Royal Caribbean Cruises	16,000	1,748
Vail Resorts	12,000	2,434
		22,977
Internet & Direct Marketing Retail 0.2%		
TripAdvisor (1)	24,000	917
		917
Multiline Retail 1.4%		
Dollar General	87,000	6,272
		6,272
Specialty Retail 4.1%		
AutoZone (1)	8,000	4,564
Burlington Stores (1)	24,000	2,208
CarMax (1)	58,000	3,657
Dick's Sporting Goods	16,000	637
L Brands	36,000	1,940
Michaels (1)	117,000	2,167
O'Reilly Automotive (1)	14,000	3,062
		18,235
Textiles, Apparel & Luxury Goods 2.1%		
Carters	3,000	267
Coach	158,000	7,479
PVH	14,000	1,603
		9,349
Total Consumer Discretionary		**59,660**

(Cost and value in $000s)

	Shares	$ Value
Consumer Staples 2.4%		
Food & Staples Retailing 1.1%		
Casey's General Stores	24,000	2,570
Sprouts Farmers Market (1)	110,000	2,494
		5,064
Food Products 1.3%		
Blue Buffalo Pet Products (1)	8,000	183
Conagra Brands	56,889	2,034
TreeHouse Foods (1)	44,604	3,644
		5,861
Total Consumer Staples		**10,925**
Energy 0.9%		
Oil, Gas & Consumable Fuels 0.9%		
ARC Resources (CAD)	61,000	798
Centennial Resource Development Acquisition Date: 12/28/16 – 6/8/17 Cost $232 (1)(2)	16,000	240
Centennial Resource Development Class A (1)	60,000	949
Concho Resources (1)	17,000	2,066
Total Energy		**4,053**
Financials 9.3%		
Banks 0.2%		
Webster Financial	19,000	992
		992
Capital Markets 3.8%		
CBOE Holdings	69,000	6,306
FactSet Research Systems	8,000	1,329
MSCI	28,000	2,884
Oaktree Capital Partnership	16,000	746
TD Ameritrade Holding	130,000	5,589
		16,854

(Cost and value in $000s)	Shares	$ Value
Consumer Finance 0.3%		
SLM Corporation (1)	136,000	1,564
		1,564
Insurance 5.0%		
FNF	174,000	7,800
Progressive	122,000	5,379
Willis Towers Watson	62,000	9,019
		22,198
Total Financials		**41,608**
Health Care 20.3%		
Biotechnology 3.0%		
Alkermes (1)	86,000	4,986
Alnylam Pharmaceuticals (1)	24,000	1,914
Bioverativ (1)	8,000	481
Incyte (1)	17,000	2,141
Kite Pharma (1)	12,000	1,244
TESARO (1)	6,000	839
Vertex Pharmaceuticals (1)	16,000	2,062
		13,667
Health Care Equipment & Supplies 8.0%		
Cooper Companies	29,000	6,943
Dentsply Sirona	67,000	4,344
Hologic (1)	166,000	7,533
IDEXX Laboratories (1)	6,000	969
Intuitive Surgical (1)	5,000	4,677
Teleflex	43,000	8,934
West Pharmaceutical Services	24,000	2,268
		35,668
Health Care Providers & Services 3.6%		
Acadia Healthcare (1)	40,000	1,975
Envision Healthcare (1)	91,000	5,703
Henry Schein (1)	20,000	3,661
MEDNAX (1)	82,000	4,950
		16,289
Health Care Technology 0.5%		
athenahealth (1)	6,000	844

(Cost and value in $000s)	Shares	$ Value
Veeva Systems, Class A (1)	20,000	1,226
		2,070
Life Sciences Tools & Services 3.8%		
Agilent Technologies	110,000	6,524
Bruker	153,000	4,412
Illumina (1)	13,000	2,256
Mettler-Toledo International (1)	2,000	1,177
Quintiles IMS Holdings (1)	28,000	2,506
		16,875
Pharmaceuticals 1.4%		
Catalent (1)	95,000	3,334
Zoetis	47,000	2,932
		6,266
Total Health Care		**90,835**
Industrials & Business Services 20.7%		
Aerospace & Defense 4.9%		
BWX Technologies	3,079	150
DigitalGlobe (1)	70,000	2,331
Harris	47,000	5,127
MacDonald Dettwiler & Associates (CAD)	27,726	1,443
Rockwell Collins	39,000	4,098
Textron	187,000	8,807
		21,956
Airlines 0.3%		
United Continental (1)	20,000	1,505
		1,505
Building Products 0.9%		
Allegion	47,000	3,813
Fortune Brands Home & Security	6,000	391
		4,204
Commercial Services & Supplies 1.8%		
KAR Auction Services	62,000	2,602
Waste Connections	83,000	5,347
		7,949

(Cost and value in $000s)	Shares	$ Value
Electrical Equipment 1.9%		
Acuity Brands	10,000	2,033
Sensata Technologies Holding (1)	147,000	6,280
		8,313
Industrial Conglomerates 1.7%		
Roper Technologies	32,000	7,409
		7,409
Machinery 4.4%		
Colfax (1)	36,000	1,417
Fortive	59,000	3,738
Gardner Denver Holdings (1)	40,000	864
IDEX	66,000	7,459
Middleby (1)	12,255	1,489
WABCO Holdings (1)	12,000	1,530
Xylem	58,000	3,215
		19,712
Professional Services 3.6%		
Equifax	47,000	6,459
IHS Markit (1)	96,607	4,255
TransUnion (1)	23,000	996
Verisk Analytics (1)	49,000	4,134
		15,844
Road & Rail 1.2%		
J.B. Hunt Transport Services	20,000	1,828
Kansas City Southern	28,000	2,930
Old Dominion Freight Line	8,000	762
		5,520
Total Industrials & Business Services		**92,412**
Information Technology 19.9%		
Electronic Equipment, Instruments & Components 1.7%		
Cognex	10,000	849
Keysight Technologies (1)	159,000	6,190
National Instruments	16,000	644
		7,683

(Cost and value in $000s)	Shares	$ Value
Internet Software & Services 2.1%		
CoStar Group (1)	3,000	791
Dropbox, Class B Acquisition Date: 5/1/12, Cost $77 (1)(2)(3)	8,506	69
IAC/InterActiveCorp (1)	26,962	2,784
Match, Class A (1)	40,000	695
VeriSign (1)	43,000	3,997
Zillow, Class A (1)	12,000	586
Zillow, Class C (1)	12,000	588
		9,510
IT Services 7.6%		
Black Knight Financial Services, Class A (1)	12,000	491
CoreLogic (1)	80,000	3,470
CSRA	75,764	2,406
Fidelity National Information	28,000	2,391
Fiserv (1)	63,000	7,708
FleetCor Technologies (1)	26,000	3,750
Gartner (1)	16,000	1,976
Global Payments	51,000	4,606
Sabre	94,000	2,046
Vantiv, Class A (1)	79,000	5,004
		33,848
Semiconductors & Semiconductor Equipment 3.7%		
KLA-Tencor	25,000	2,288
Marvell Technology Group	112,000	1,850
Microchip Technology	94,000	7,255
Microsemi (1)	15,600	730
NXP Semiconductors (1)	4,000	438
Xilinx	64,000	4,116
		16,677
Software 4.8%		
Atlassian, Class A (1)	54,000	1,900
Electronic Arts (1)	30,000	3,172
Guidewire Software (1)	17,000	1,168
Red Hat (1)	55,000	5,266
ServiceNow (1)	8,000	848

	Shares	$ Value
(Cost and value in $000s)		
Splunk (1)	35,000	1,991
SS&C Technologies Holdings	62,000	2,381
Tableau Software Class A (1)	29,000	1,777
Workday (1)	28,000	2,716
		21,219
Total Information Technology		**88,937**
Materials 5.6%		
Chemicals 3.0%		
Air Products & Chemicals	32,000	4,578
Ashland Global Holdings	25,000	1,648
RPM	62,000	3,382
Valvoline	167,000	3,961
		13,569
Construction Materials 0.6%		
Martin Marietta Materials	12,000	2,671
		2,671
Containers & Packaging 1.4%		
Ardagh	9,000	203
Ball	142,000	5,994
		6,197
Metals & Mining 0.6%		
Franco-Nevada	36,000	2,598
		2,598
Total Materials		**25,035**
Real Estate 0.3%		
Equity Real Estate Investment Trusts 0.2%		
SBA Communications REIT (1)	6,000	809
		809

	Shares	$ Value
(Cost and value in $000s)		
Real Estate Management & Development 0.1%		
WeWork, Class A Acquisition Date: 12/9/14 – 5/26/15 Cost $175 (1)(2)(3)	11,592	601
		601
Total Real Estate		**1,410**
Total Common Stocks (Cost $252,206)		**414,875**
CONVERTIBLE PREFERRED STOCKS 0.6%		
Information Technology 0.1%		
Internet Software & Services 0.1%		
Dropbox, Series A Acquisition Date: 5/1/12, Cost $96 (1)(2)(3)	10,562	86
Dropbox, Series A-1 Acquisition Date: 5/1/12, Cost $469 (1)(2)(3)	51,884	423
Total Information Technology		**509**
Real Estate 0.5%		
Real Estate Management & Development 0.5%		
WeWork, Series D1 Acquisition Date: 12/9/14, Cost $362 (1)(2)(3)	21,721	1,126
WeWork, Series D2 Acquisition Date: 12/9/14, Cost $284 (1)(2)(3)	17,066	884
Total Real Estate		**2,010**
Total Convertible Preferred Stocks (Cost $1,211)		**2,519**

(Cost and value in $000s)	Shares	$ Value
SHORT-TERM INVESTMENTS 6.1%		
Money Market Funds 6.1%		
T. Rowe Price Treasury Reserve Fund, 0.99% (4)(5)	27,466,891	27,467
Total Short-Term Investments (Cost $27,467)		**27,467**
Total Investments in Securities		
99.4% of Net Assets (Cost $280,884)		**$ 444,861**

‡ Shares are denominated in U.S. dollars 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 $3,429 and represents 0.8% of net assets.

(3) Level 3 in fair value hierarchy. See Note 2.

(4) Seven-day yield

(5) Affiliated Company

CAD Canadian Dollar

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, 2017. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/17	Value 12/31/16
T. Rowe Price Treasury Reserve Fund	¤	¤	$ 77	$ 27,467	$ 16,852
T. Rowe Price Short-Term Fund	¤	¤	—^	—	—
Totals			$ 77	$ 27,467	$ 16,852

¤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	$ 27,467
Dividend income	77
Interest income	—
Investment income	$ 77
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, 2017 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $280,884)	$	444,861
Receivable for investment securities sold		4,972
Dividends receivable		212
Receivable for shares sold		39
Foreign currency (cost $23)		23
Other assets		27
Total assets		450,134
Liabilities		
Payable for investment securities purchased		1,647
Payable for shares redeemed		432
Investment management and administrative fees payable		351
Other liabilities		26
Total liabilities		2,456
NET ASSETS	**$**	**447,678**
Net Assets Consist of:		
Accumulated net investment loss	$	(323)
Accumulated undistributed net realized gain		34,373
Net unrealized gain		163,977
Paid-in capital applicable to 15,357,355 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		249,651
NET ASSETS	**$**	**447,678**
NET ASSET VALUE PER SHARE		
Mid-Cap Growth Class ($387,794,469 / 13,234,068 shares outstanding)	**$**	**29.30**
Mid-Cap Growth - II Class ($59,883,912 / 2,123,287 shares outstanding)	**$**	**28.20**

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 6/30/17
Investment Income (Loss)	
Income	
Dividend	$ 1,541
Interest	14
Securities lending	5
Total income	1,560
Expenses	
Investment management and administrative expense	1,811
Rule 12b-1 fees - Mid-Cap Growth-II Class	72
Total expenses	1,883
Net investment loss	(323)
Realized and Unrealized Gain / Loss	
Net realized gain on securities	25,891
Change in net unrealized gain / loss on securities	32,422
Net realized and unrealized gain / loss	58,313
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 57,990**

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 6/30/17	Year Ended 12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment loss	$ (323)	$ (563)
Net realized gain	25,891	34,480
Change in net unrealized gain / loss	32,422	(9,934)
Increase in net assets from operations	57,990	23,983
Distributions to shareholders		
Net realized gain		
Mid-Cap Growth Class	–	(22,792)
Mid-Cap Growth-II Class	–	(3,575)
Decrease in net assets from distributions	–	(26,367)
Capital share transactions*		
Shares sold		
Mid-Cap Growth Class	8,909	27,417
Mid-Cap Growth-II Class	3,827	5,781
Distributions reinvested		
Mid-Cap Growth Class	–	22,792
Mid-Cap Growth-II Class	–	3,575
Shares redeemed		
Mid-Cap Growth Class	(24,428)	(45,902)
Mid-Cap Growth-II Class	(6,385)	(6,668)
Increase (decrease) in net assets from capital share transactions	(18,077)	6,995
Net Assets		
Increase during period	39,913	4,611
Beginning of period	407,765	403,154
End of period	**$ 447,678**	**$ 407,765**
Undistributed (accumulated) net investment income (loss)	(323)	–
*Share information		
Shares sold		
Mid-Cap Growth Class	320	1,060
Mid-Cap Growth-II Class	145	232
Distributions reinvested		
Mid-Cap Growth Class	–	880
Mid-Cap Growth-II Class	–	143
Shares redeemed		
Mid-Cap Growth Class	(891)	(1,778)
Mid-Cap Growth-II Class	(241)	(270)
Increase (decrease) in shares outstanding	(667)	267

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 (Mid-Cap Growth Portfolio Class) and the Mid-Cap Growth Portfolio–II (Mid-Cap Growth Portfolio–II Class). Mid-Cap Growth Portfolio–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 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 annually. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be 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. Mid-Cap Growth Portfolio–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, 2017.

New Accounting Guidance In October 2016, the Securities and Exchange Commission (SEC) issued a new rule, *Investment Company Reporting Modernization*, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements related to periods ending on or after August 1, 2017; adoption will have no effect on the fund's net assets or results of operations.

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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

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) is an internal committee that has been delegated certain responsibilities 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 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. 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, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ 27,467	$ —	$ —	$ 27,467
Common Stocks	411,724	2,481	670	414,875
Convertible Preferred Stocks	—	—	2,519	2,519
Total	$ 439,191	$ 2,481	$ 3,189	$ 444,861

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2017. 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, 2017, totaled $875,000 for the six months ended June 30, 2017.

($000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Ending Balance 6/30/17
Investments in Securities			
Common Stocks	$ 458	$ 212	$ 670
Convertible Preferred Stocks	1,856	663	2,519
Total Level 3	$ 2,314	$ 875	$ 3,189

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, 2017, there were no securities on loan.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $46,712,000 and $80,691,000, respectively, for the six months ended June 30, 2017.

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, 2017, the cost of investments for federal income tax purposes was $282,295,000. Net unrealized gain aggregated $162,566,000 at period-end, of which $167,088,000 related to appreciated investments and $4,522,000 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 other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest in the T. Rowe Price Government Reserve Fund, the T. Rowe Price Treasury Reserve Fund, or the T. Rowe Price Short-Term Fund (collectively, the Price Reserve Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve 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 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, 2017, 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, 2017.

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

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

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In that regard, at an in-person meeting held on March 6–7, 2017 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

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 took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2016, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider 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 fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price 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. 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.

Approval of Investment Management Agreement (continued)

Fees and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and non-management expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and non-management expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Advisor after paying the fund's operating expenses, as well as any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fifth quintile (Expense Group), the fund's actual management fee rate ranked in the fourth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the third quintile (Expense Group and Expense Universe).

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 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).

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T. Rowe Price
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

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Vanguard®

Semiannual Report | June 30, 2017

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: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

A Message from Vanguard's Chairman

Dear Planholder,

More than a decade ago, the eminent investor and commentator Howard Marks published a memo to his clients titled simply "Risk." In it, Howard distilled the relationship between investors and risk. "When you boil it all down, it's the investor's job to intelligently bear risk for profit," he wrote.

It's not surprising, then, that everyone from portfolio managers to behavioral economists avidly studies how investors' reactions to risk influence not only individual investment decisions but also the broader financial markets. I'm a big fan of some of the behavioral finance work being done, which includes studies by our own investment strategists and analysts.

A lens on investor behavior

For example, Vanguard's Investment Strategy Group introduced a "risk speedometers" report in January to look at how investors are reacting to market developments. This lens on real-world behavior measures the risk investors are taking in a given period by calculating the difference between net cash flows into higher-risk assets, such as stocks, and net cash flows into lower-risk assets, such as Treasuries. The measures are then compared with long-term averages.

In the spring, the risk speedometer spiked. The spike was fueled by investors' decisions to direct more of their equity dollars to international investments in developed and emerging markets, and their bond dollars to riskier credit categories.

A spiking speedometer seems a fitting analogy for what can happen. I consider myself a responsible driver. Still, when the highway is clear and the weather is nice, I might glance down at the speedometer and find that my right foot has gotten a little heavy.

The same phenomenon is possible with our investment portfolios. Just as our attention can drift from our speed—and the risk level on the road—we can neglect the risk level of our portfolio's asset allocation. Experience teaches that investors are especially prone to lose sight of risk when markets have been buoyant.

How I manage risk in my own portfolio

Rebalancing—periodically adjusting your asset allocation so it stays in line with your goals and risk tolerance—is one of the best ways I know of to help manage risk. Without rebalancing, your portfolio may end up potentially riskier than you intended and no longer aligned with your goals.

I have a ritual I perform every June and again each December, between Christmas and New Year's, as I prepare for a series of annual meetings with the Vanguard crew. I'll set aside some time, review my investment portfolio, and, if necessary, rebalance back to my target asset allocation.

My own portfolio is a mix of equity and fixed income funds, and I invest in both actively managed funds and index funds. Most years, I'll make a minor adjustment to get back to the appropriate asset allocation for my own longer-term goals and risk tolerance. It's not all that complicated, although my portfolio is a little more complex than some because I own more funds than we'd typically suggest. As chairman of Vanguard's funds, I feel I should own a significant number of them.

Consider your options

You should consider rebalancing if your target allocation is off by 5 percentage points or more. Admittedly, this is often easier said than done. When an investment has performed exceptionally well, people have a hard time trimming it. They can be led astray by that old (and none-too-helpful) investing saw: Let your winners run.

Fortunately, in recent years we've seen all sorts of investors take steps to rebalance. Many of the endowments, foundations, and traditional pension plans that Vanguard serves have good processes built into their investment guidelines to make sure rebalancing takes place on a regular basis. And among investors in defined contribution retirement plans, more and more are using target-date funds, where rebalancing happens automatically.

If you choose to rebalance on your own, use your target asset allocation as your guidepost. Don't be afraid to buy into bad news. In a sense, don't worry about the noise of the marketplace. If you work with an advisor, make sure he or she understands the importance you place on your rebalancing ritual.

And remember, the goal of rebalancing is to manage risk, not to avoid it altogether. Risk is inherent in investing—we just want to bear that risk intelligently.

In that insightful memo on risk, Howard Marks included a saying often attributed to Will Rogers: "You've got to go out on a limb sometimes because that's where the fruit is."

Tim Buckley chosen as Vanguard's next CEO

In closing, I'll note senior leadership changes that we announced in July. Our board of directors has elected Vanguard Chief Investment Officer Tim Buckley as president and director of Vanguard. Under the planned transition, Tim will succeed me as Vanguard's chief executive officer on January 1, 2018.

I'm delighted with our board's selection of Tim. We first met in 1991 when Tim was interviewing for a job at Vanguard. In the decades since, we've worked closely together, and he's always impressed me as a man of tremendous character and an outstanding leader with a passion for serving our clients. During the transition period, I will work closely with Tim in managing the firm and overseeing its operations.

Replacing Tim as chief investment officer is Greg Davis, who had been global head of Vanguard Fixed Income Group. And succeeding Greg as our fixed income leader is John Hollyer, who most recently served as our global head of investment risk management. I know Greg and John will both do a superb job in their new roles.

As with past successions, I will remain as chairman for a period of time determined by the board. On a personal note, it has been an honor and a privilege to lead Vanguard. Having spent more than half my life at Vanguard, I have come to know many fabulous crew members who are incredibly dedicated to Vanguard's mission. Please be assured that Tim and the rest of the team will serve you and our other clients extremely well as Vanguard prepares for its next chapter.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2017

Market Perspective

U.S. stocks posted strong gains as corporate earnings increased

U.S. stocks climbed steadily over the six months ended June 30, 2017, and hovered near all-time highs as investors accepted risk, corporate earnings exceeded expectations, and stock valuations increased. Volatility was generally muted. Also, the Federal Reserve's gradual short-term interest rate increases and its plans to reduce its balance sheet didn't disrupt markets.

The Fed's move in June to raise the federal funds target rate by a quarter of a percentage point, to 1%–1.25%, was its second increase in 2017 and its fourth since it began raising the rate at the end of 2015. In announcing the change, Fed Chairwoman Janet Yellen noted the economy's resilience.

The broad U.S. stock market returned 8.93% for the six months. U.S. large- and mid-capitalization stocks outperformed their small-cap counterparts, while growth surpassed value. Among sectors, health care, information technology, and industrials climbed the most and energy and telecommunication services lagged.

For U.S. investors, a weaker dollar boosted international stocks, which returned 13.95%. Developed European and Pacific markets, as well as emerging markets, produced double-digit returns.

Bond prices benefited from monetary stimulus programs

Demand for bonds helped drive global fixed income returns higher even as investors flocked to equities. After a short-term rebound, inflation expectations declined, contributing to lower yields for longer-dated U.S. Treasuries and higher bond prices. (Bond prices and yields move in opposite directions.) Accommodative monetary policies also supported bond prices, although indications that the European Central Bank might reduce its bond-buying stimulus sooner than expected led to a sharp price decline over the period's final week.

The yield of the benchmark 10-year Treasury note closed the period at 2.30%, down from 2.45% at the end of December 2016. The broad U.S. bond market returned 2.27% for the period. Investment-grade corporate bonds outpaced Treasuries and mortgage-backed securities.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 6.12%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds and finished with gains of less than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.27%	18.03%	14.67%
Russell 2000 Index (Small-caps)	4.99	24.60	13.70
Russell 3000 Index (Broad U.S. market)	8.93	18.51	14.58
FTSE All-World ex US Index (International)	13.95	20.53	7.68
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.27%	-0.31%	2.21%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.57	-0.49	3.26
Citigroup Three-Month U.S. Treasury Bill Index	0.30	0.46	0.13
CPI			
Consumer Price Index	1.46%	1.63%	1.31%

Vanguard® Equity Index Portfolio

U.S. stocks posted solid returns over the first half of the year as the economy continued to grow slowly, corporate earnings improved, and investors were optimistic that President Trump's policies would result in further economic expansion.

For the six months ended June 30, 2017, Vanguard Equity Index Portfolio returned 9.28%, in line with its benchmark index, the Standard & Poor's 500 Index, and above the average return of peer funds.

The portfolio seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

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.

A variety of sectors posted strong returns

The Equity Index Portfolio invests in roughly 500 of the largest U.S. companies, encompassing about three-quarters of the U.S. stock market's value. Stocks of every style and from every industry sector are represented.

During the period, large-cap stocks outperformed their mid- and small-cap counterparts, and growth stocks outpaced value.

Nine of the portfolio's 11 industry sectors recorded gains, with three above 10%. Information technology, the portfolio's largest sector, returned about 17% and added most to results, largely because of strong earnings. Health care and consumer discretionary also posted double-digit gains. Health care stocks benefited from a number of factors, including favorable valuations and demographics, and consumer discretionary holdings were aided by improving consumer sentiment.

Financials, industrials, and consumer staples were the other top contributors to the portfolio's strong showing.

Telecommunication services, which was hurt by higher interest rates, and energy, which lagged because of sluggish commodity prices, were the only two sectors that detracted from performance.

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer you will be asked to vote on the election of trustees for all U.S.-domiciled Vanguard funds. Shareholders will also be asked to vote on several fund policy proposals that we believe are in the best interests of all shareholders.

Vanguard filed a preliminary proxy statement on July 13, 2017, with the U.S. Securities and Exchange Commission (SEC). Following the SEC's review, we expect to provide the proxy materials to Vanguard fund shareholders beginning in late August 2017. That's when you can begin to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

Total Returns

	Six Months Ended June 30, 2017
Vanguard Equity Index Portfolio	9.28%
S&P 500 Index	9.34
Variable Insurance Large-Cap Core Funds Average[1]	8.99

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.39%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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 2016.

Portfolio Profile

As of June 30, 2017

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	505	505	3,800
Median Market Cap	$87.8B	$87.8B	$59.8B
Price/Earnings Ratio	21.5x	21.5x	21.2x
Price/Book Ratio	3.0x	3.0x	2.9x
Yield[3]	1.9%	1.9%	1.8%
Return on Equity	24.1%	24.1%	16.3%
Earnings Growth Rate	8.1%	8.1%	10.0%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	5%	—	—
Expense Ratio[5]	0.15%	—	—
Short-Term Reserves	0.0%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.99
Beta	1.00	0.97

Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Consumer Discretionary	12.3%	12.3%	12.7%
Consumer Staples	9.0	9.1	8.0
Energy	6.0	6.0	5.6
Financials	14.5	14.5	15.0
Health Care	14.5	14.5	14.0
Industrials	10.3	10.3	10.8
Information Technology	22.4	22.2	21.4
Materials	2.8	2.9	3.3
Real Estate	2.9	2.9	4.1
Telecommunication Services	2.1	2.1	1.9
Utilities	3.2	3.2	3.2

Ten Largest Holdings[6] (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	3.6%
Alphabet Inc.	Internet Software & Services	2.6
Microsoft Corp.	Systems Software	2.5
Amazon.com Inc.	Internet & Direct Marketing Retail	1.8
Facebook Inc.	Internet Software & Services	1.7
Johnson & Johnson	Pharmaceuticals	1.7
Exxon Mobil Corp.	Integrated Oil & Gas	1.6
JPMorgan Chase & Co.	Diversified Banks	1.6
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.5
Wells Fargo & Co.	Diversified Banks	1.2
Top Ten		19.8%

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.

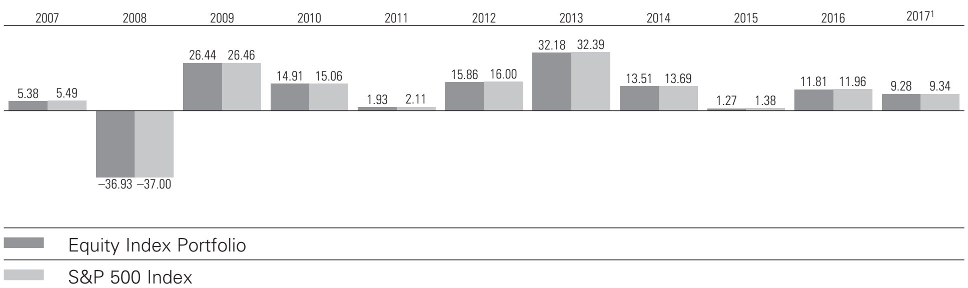
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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, 2006–June 30, 2017



Average Annual Total Returns: Periods Ended June 30, 2017

	Inception Date	One Year	Five Years	Ten Years
Equity Index Portfolio	4/29/1991	17.73%	14.48%	7.07%

1 Six months ended June 30, 2017.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2017

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 (99.2%)[1]		
	Consumer Discretionary (12.2%)		
*	Amazon.com Inc.	89,312	86,454
	Comcast Corp. Class A	1,065,516	41,470
	Home Depot Inc.	269,111	41,282
	Walt Disney Co.	326,635	34,705
	McDonald's Corp.	183,891	28,165
*	Priceline Group Inc.	11,039	20,649
	Starbucks Corp.	327,202	19,079
	NIKE Inc. Class B	297,578	17,557
	Time Warner Inc.	173,851	17,456
*	Charter Communications Inc. Class A	48,306	16,272
	Lowe's Cos. Inc.	193,101	14,971
*	Netflix Inc.	96,641	14,439
	General Motors Co.	309,227	10,801
	TJX Cos. Inc.	144,725	10,445
	Ford Motor Co.	876,481	9,808
	Marriott International Inc. Class A	70,621	7,084
	Twenty-First Century Fox Inc. Class A	236,271	6,696
	Target Corp.	124,804	6,526
	Carnival Corp.	93,825	6,152
	Newell Brands Inc.	108,235	5,804
	Yum! Brands Inc.	75,445	5,565
	CBS Corp. Class B	83,481	5,324
	Delphi Automotive plc	60,719	5,322
	Ross Stores Inc.	88,452	5,106
*	O'Reilly Automotive Inc.	20,577	4,501
	Omnicom Group Inc.	52,615	4,362
	VF Corp.	72,040	4,150
	Dollar General Corp.	57,288	4,130
	Royal Caribbean Cruises Ltd.	37,592	4,106
	Expedia Inc.	27,217	4,054
*	Ulta Beauty Inc.	13,133	3,774
*	Dollar Tree Inc.	52,987	3,705
*	AutoZone Inc.	6,383	3,641
	Best Buy Co. Inc.	61,091	3,502
*	Mohawk Industries Inc.	14,158	3,422
	Whirlpool Corp.	16,815	3,222
*	DISH Network Corp. Class A	51,159	3,211
	Genuine Parts Co.	33,518	3,109
	Twenty-First Century Fox Inc.	109,157	3,042
	Coach Inc.	62,961	2,981
	L Brands Inc.	54,089	2,915
	Hilton Worldwide Holdings Inc.	46,129	2,853
	Hasbro Inc.	25,190	2,809
*	Chipotle Mexican Grill Inc. Class A	6,446	2,682
*	CarMax Inc.	42,187	2,660
	DR Horton Inc.	76,827	2,656
	Viacom Inc. Class B	77,926	2,616
	Darden Restaurants Inc.	28,049	2,537
	Lennar Corp. Class A	45,845	2,444
	Wynn Resorts Ltd.	17,855	2,395
	Wyndham Worldwide Corp.	23,576	2,367
*	LKQ Corp.	68,918	2,271
	Tiffany & Co.	24,107	2,263
	Interpublic Group of Cos. Inc.	88,667	2,181
	Harley-Davidson Inc.	39,536	2,136
	PVH Corp.	17,705	2,027
	Hanesbrands Inc.	85,935	1,990
	Goodyear Tire & Rubber Co.	56,584	1,978
	Advance Auto Parts Inc.	16,676	1,944
	BorgWarner Inc.	45,250	1,917
	Mattel Inc.	77,658	1,672
	Tractor Supply Co.	29,546	1,602
	Macy's Inc.	68,223	1,586
	Leggett & Platt Inc.	30,144	1,583
	PulteGroup Inc.	64,525	1,583
	News Corp. Class A	112,923	1,547
	Kohl's Corp.	39,671	1,534
	Staples Inc.	147,351	1,484
	Foot Locker Inc.	29,878	1,472
	Scripps Networks Interactive Inc. Class A	21,471	1,467
	H&R Block Inc.	46,318	1,432
*	Michael Kors Holdings Ltd.	36,659	1,329
	Garmin Ltd.	25,915	1,322
	Nordstrom Inc.	25,646	1,227
*	Discovery Communications Inc.	48,318	1,218
	Gap Inc.	49,209	1,082
	Bed Bath & Beyond Inc.	34,108	1,037
	Signet Jewelers Ltd.	15,720	994
*	TripAdvisor Inc.	25,217	963
	Ralph Lauren Corp. Class A	12,532	925
*,^	Under Armour Inc. Class A	41,467	902
*	Discovery Communications Inc. Class A	34,818	899
*	Under Armour Inc.	41,752	842
*	AutoNation Inc.	15,181	640
			574,027
	Consumer Staples (9.0%)		
	Procter & Gamble Co.	575,848	50,185
	Philip Morris International Inc.	349,700	41,072
	Coca-Cola Co.	867,687	38,916
	PepsiCo Inc.	321,600	37,142
	Altria Group Inc.	435,475	32,430
	Wal-Mart Stores Inc.	332,529	25,166
	CVS Health Corp.	230,261	18,527
	Costco Wholesale Corp.	98,472	15,749
	Walgreens Boots Alliance Inc.	191,435	14,991
	Mondelez International Inc. Class A	342,755	14,804
	Colgate-Palmolive Co.	198,172	14,690
	Reynolds American Inc.	185,656	12,075
	Kraft Heinz Co.	133,920	11,469
	Kimberly-Clark Corp.	79,812	10,305
	Constellation Brands Inc. Class A	38,705	7,498
	General Mills Inc.	130,214	7,214
	Sysco Corp.	111,508	5,612
	Archer-Daniels-Midland Co.	128,212	5,305
	Kroger Co.	207,438	4,837
	Estee Lauder Cos. Inc. Class A	49,868	4,786
*	Monster Beverage Corp.	90,266	4,484
	Tyson Foods Inc. Class A	64,732	4,054
	Kellogg Co.	56,718	3,940
	Clorox Co.	28,887	3,849
	Dr Pepper Snapple Group Inc.	41,242	3,758
	Molson Coors Brewing Co. Class B	41,560	3,588
	Hershey Co.	31,290	3,360
	Conagra Brands Inc.	92,771	3,318
	JM Smucker Co.	26,095	3,088
	Whole Foods Market Inc.	71,440	3,008
	Church & Dwight Co. Inc.	57,488	2,982
	McCormick & Co. Inc.	25,665	2,503
	Campbell Soup Co.	43,516	2,269
	Hormel Foods Corp.	60,520	2,064
	Coty Inc. Class A	105,788	1,985
	Brown-Forman Corp. Class B	39,750	1,932
			422,955
	Energy (6.0%)		
	Exxon Mobil Corp.	953,927	77,011
	Chevron Corp.	426,561	44,503
	Schlumberger Ltd.	312,975	20,606
	ConocoPhillips	277,487	12,198
	EOG Resources Inc.	129,482	11,721
	Occidental Petroleum Corp.	171,545	10,270
	Halliburton Co.	194,670	8,314
	Kinder Morgan Inc.	431,084	8,260
	Phillips 66	99,040	8,190
	Valero Energy Corp.	101,235	6,829
	Marathon Petroleum Corp.	118,504	6,201
	Pioneer Natural Resources Co.	38,047	6,072
	Anadarko Petroleum Corp.	125,509	5,691
	Williams Cos. Inc.	185,431	5,615
	Baker Hughes Inc.	95,485	5,205
	ONEOK Inc.	85,512	4,460
	Apache Corp.	85,189	4,083
*	Concho Resources Inc.	33,418	4,061
	Devon Energy Corp.	117,723	3,764
	Tesoro Corp.	33,963	3,179
	Noble Energy Inc.	102,186	2,892
*	TechnipFMC plc	104,610	2,845
	National Oilwell Varco Inc.	84,822	2,794
	Cabot Oil & Gas Corp.	107,024	2,684
	Hess Corp.	60,243	2,643
	EQT Corp.	39,157	2,294
	Marathon Oil Corp.	191,483	2,269
	Cimarex Energy Co.	21,306	2,003
	Helmerich & Payne Inc.	24,328	1,322
*	Newfield Exploration Co.	44,938	1,279

		Shares	Market Value• ($000)
	Range Resources Corp.	42,381	982
	Murphy Oil Corp.	36,637	939
*	Chesapeake Energy Corp.	171,143	851
*	Transocean Ltd.	87,758	722
			282,752
	Financials (14.4%)		
	JPMorgan Chase & Co.	799,732	73,096
*	Berkshire Hathaway Inc. Class B	396,163	67,098
	Wells Fargo & Co.	1,011,160	56,028
	Bank of America Corp.	2,240,346	54,351
	Citigroup Inc.	619,727	41,447
	US Bancorp	357,582	18,566
	Goldman Sachs Group Inc.	82,406	18,286
	Chubb Ltd.	104,532	15,197
	Morgan Stanley	322,616	14,376
	American Express Co.	169,990	14,320
	PNC Financial Services Group Inc.	109,096	13,623
	MetLife Inc.	244,068	13,409
	American International Group Inc.	197,460	12,345
	Bank of New York Mellon Corp.	232,968	11,886
	Charles Schwab Corp.	272,761	11,718
	BlackRock Inc.	27,318	11,539
	Prudential Financial Inc.	96,465	10,432
	CME Group Inc.	76,235	9,548
	Marsh & McLennan Cos. Inc.	115,571	9,010
	Capital One Financial Corp.	107,928	8,917
	Intercontinental Exchange Inc.	133,725	8,815
	S&P Global Inc.	57,945	8,459
	BB&T Corp.	181,490	8,241
	Travelers Cos. Inc.	62,751	7,940
	Aon plc	58,886	7,829
	Allstate Corp.	81,984	7,251
	State Street Corp.	80,600	7,232
	Aflac Inc.	90,064	6,996
	SunTrust Banks Inc.	110,331	6,258
	Progressive Corp.	130,379	5,748
	M&T Bank Corp.	34,559	5,597
	Discover Financial Services	86,543	5,382
*	Berkshire Hathaway Inc. Class A	21	5,349
	Synchrony Financial	172,939	5,157
	Northern Trust Corp.	48,247	4,690
	KeyCorp	246,782	4,625
	Moody's Corp.	37,240	4,531
	Hartford Financial Services Group Inc.	84,264	4,430
	Ameriprise Financial Inc.	34,727	4,420
	Fifth Third Bancorp	168,514	4,375
	Willis Towers Watson plc	28,731	4,179
	Citizens Financial Group Inc.	114,315	4,079
	T. Rowe Price Group Inc.	54,839	4,070
	Regions Financial Corp.	270,653	3,962
	Principal Financial Group Inc.	60,264	3,861
	Franklin Resources Inc.	77,724	3,481
	Lincoln National Corp.	50,750	3,430
	Huntington Bancshares Inc.	245,345	3,317
	Invesco Ltd.	90,554	3,187
	Comerica Inc.	39,628	2,902
	Loews Corp.	61,927	2,899
	XL Group Ltd.	59,743	2,617
	Cincinnati Financial Corp.	33,615	2,435
	Unum Group	51,323	2,393
*	E*TRADE Financial Corp.	62,151	2,364
	Everest Re Group Ltd.	9,246	2,354
	Arthur J Gallagher & Co.	40,374	2,311
	Raymond James Financial Inc.	28,792	2,310
	Affiliated Managers Group Inc.	12,808	2,124
	Zions Bancorporation	45,395	1,993
	Leucadia National Corp.	73,114	1,913
	Torchmark Corp.	24,634	1,884
	CBOE Holdings Inc.	20,497	1,873
	Nasdaq Inc.	26,017	1,860
	People's United Financial Inc.	77,625	1,371
	Assurant Inc.	12,487	1,295
	Navient Corp.	65,635	1,093
			680,074
	Health Care (14.4%)		
	Johnson & Johnson	606,350	80,214
	Pfizer Inc.	1,343,570	45,131
	UnitedHealth Group Inc.	217,000	40,236
	Merck & Co. Inc.	616,461	39,509
	Amgen Inc.	165,346	28,478
	Medtronic plc	307,347	27,277
	AbbVie Inc.	357,874	25,949
*	Celgene Corp.	175,880	22,842
	Gilead Sciences Inc.	293,438	20,770
	Bristol-Myers Squibb Co.	370,796	20,661
	Abbott Laboratories	390,729	18,993
	Allergan plc	75,278	18,299
	Eli Lilly & Co.	218,009	17,942
	Thermo Fisher Scientific Inc.	87,639	15,290
*	Biogen Inc.	48,088	13,049
	Danaher Corp.	136,992	11,561
	Aetna Inc.	74,486	11,309
	Anthem Inc.	59,358	11,167
	Becton Dickinson and Co.	51,247	9,999
	Cigna Corp.	57,709	9,660
	Stryker Corp.	69,488	9,644
*	Express Scripts Holding Co.	133,610	8,530
*	Boston Scientific Corp.	306,162	8,487
*	Regeneron Pharmaceuticals Inc.	17,073	8,385
	McKesson Corp.	47,574	7,828
	Humana Inc.	32,484	7,816
*	Intuitive Surgical Inc.	8,242	7,709
*	Vertex Pharmaceuticals Inc.	55,785	7,189
	Zoetis Inc.	110,471	6,891
	Baxter International Inc.	109,093	6,604
*	Alexion Pharmaceuticals Inc.	50,403	6,133
	Zimmer Biomet Holdings Inc.	45,115	5,793
*	Illumina Inc.	32,762	5,685
*	HCA Healthcare Inc.	64,780	5,649
*	Edwards Lifesciences Corp.	47,622	5,631
	Cardinal Health Inc.	70,769	5,514
	CR Bard Inc.	16,154	5,106
*	Incyte Corp.	37,906	4,773
*	Cerner Corp.	66,076	4,392
	Agilent Technologies Inc.	72,231	4,284
*	Mylan NV	103,332	4,011
*	Laboratory Corp. of America Holdings	23,078	3,557
	AmerisourceBergen Corp. Class A	37,106	3,508
*	Mettler-Toledo International Inc.	5,858	3,448
	Quest Diagnostics Inc.	30,980	3,444
	Dentsply Sirona Inc.	51,504	3,340
*	Waters Corp.	17,907	3,292
*	Henry Schein Inc.	17,750	3,249
*	IDEXX Laboratories Inc.	19,870	3,207
*	Centene Corp.	38,903	3,108
*	Hologic Inc.	62,569	2,839
	Cooper Cos. Inc.	10,907	2,611
*	Align Technology Inc.	17,000	2,552
	Universal Health Services Inc. Class B	20,152	2,460
	Perrigo Co. plc	32,154	2,428
*	DaVita Inc.	35,104	2,273
*	Varian Medical Systems Inc.	20,972	2,164
	PerkinElmer Inc.	24,856	1,694
*	Envision Healthcare Corp.	26,393	1,654
*	Mallinckrodt plc	22,261	997
	Patterson Cos. Inc.	18,400	864
			677,079
	Industrials (10.2%)		
	General Electric Co.	1,959,142	52,916
	3M Co.	134,537	28,009
	Boeing Co.	126,356	24,987
	Honeywell International Inc.	170,923	22,782
	United Technologies Corp.	168,238	20,544
	Union Pacific Corp.	182,666	19,894
	United Parcel Service Inc. Class B	154,695	17,108
	Lockheed Martin Corp.	56,066	15,564
	Caterpillar Inc.	132,733	14,263
	General Dynamics Corp.	63,832	12,645
	FedEx Corp.	55,055	11,965
	CSX Corp.	207,949	11,346
	Raytheon Co.	65,710	10,611
	Northrop Grumman Corp.	39,207	10,065
	Illinois Tool Works Inc.	70,010	10,029
	Johnson Controls International plc	210,732	9,137
	Delta Air Lines Inc.	164,032	8,815
	Emerson Electric Co.	144,810	8,634
	Southwest Airlines Co.	136,089	8,457
	Deere & Co.	65,791	8,131
	Norfolk Southern Corp.	65,161	7,930
	Eaton Corp. plc	100,977	7,859
	Waste Management Inc.	90,835	6,663
	Cummins Inc.	34,684	5,626
	American Airlines Group Inc.	110,808	5,576
	Ingersoll-Rand plc	58,179	5,317
	Roper Technologies Inc.	22,867	5,294
	PACCAR Inc.	78,730	5,199
*	United Continental Holdings Inc.	64,505	4,854
	Stanley Black & Decker Inc.	34,227	4,817
	Parker-Hannifin Corp.	30,012	4,797
	Rockwell Automation Inc.	28,856	4,673
	Fortive Corp.	67,546	4,279
	Rockwell Collins Inc.	36,561	3,842
	Equifax Inc.	27,020	3,713
	Republic Services Inc. Class A	52,002	3,314
*	IHS Markit Ltd.	71,207	3,136
	AMETEK Inc.	51,504	3,120
	TransDigm Group Inc.	11,138	2,995
	L3 Technologies Inc.	17,581	2,937
*	Verisk Analytics Inc. Class A	34,772	2,934
	Nielsen Holdings plc	75,445	2,917
	Textron Inc.	60,590	2,854
	Fastenal Co.	64,868	2,824
	Dover Corp.	35,054	2,812
	Masco Corp.	72,055	2,753
	Alaska Air Group Inc.	27,914	2,506
	Kansas City Southern	23,857	2,497
	Pentair plc	37,474	2,494
	Cintas Corp.	19,450	2,451
	Expeditors International of Washington Inc.	40,558	2,291

		Shares	Market Value• ($000)
	Fortune Brands Home & Security Inc.	34,633	2,259
	Arconic Inc.	99,559	2,255
	Xylem Inc.	40,248	2,231
	CH Robinson Worldwide Inc.	31,982	2,197
	WW Grainger Inc.	12,100	2,184
*	United Rentals Inc.	19,058	2,148
	Snap-on Inc.	13,036	2,060
	Acuity Brands Inc.	10,008	2,034
	JB Hunt Transport Services Inc.	19,680	1,798
	Allegion plc	21,593	1,752
	Jacobs Engineering Group Inc.	27,372	1,489
*	Stericycle Inc.	19,312	1,474
	Fluor Corp.	31,276	1,432
	Robert Half International Inc.	28,739	1,377
	Flowserve Corp.	29,644	1,376
*	Quanta Services Inc.	34,094	1,122
			480,364
Information Technology (22.1%)			
	Apple Inc.	1,173,659	169,030
	Microsoft Corp.	1,738,144	119,810
*	Facebook Inc. Class A	532,188	80,350
*	Alphabet Inc. Class A	67,012	62,300
*	Alphabet Inc. Class C	67,181	61,049
	Visa Inc. Class A	415,558	38,971
	Intel Corp.	1,061,689	35,821
	Cisco Systems Inc.	1,124,543	35,198
	Oracle Corp.	676,277	33,909
	International Business Machines Corp.	192,652	29,636
	Mastercard Inc. Class A	211,550	25,693
	Broadcom Ltd.	90,054	20,987
	NVIDIA Corp.	134,006	19,372
	QUALCOMM Inc.	331,663	18,314
	Accenture plc Class A	139,765	17,286
	Texas Instruments Inc.	224,469	17,268
*	Adobe Systems Inc.	111,279	15,739
*	PayPal Holdings Inc.	252,174	13,534
*	salesforce.com Inc.	150,620	13,044
	Automatic Data Processing Inc.	100,733	10,321
	Applied Materials Inc.	242,404	10,014
	Activision Blizzard Inc.	155,315	8,941
	Cognizant Technology Solutions Corp. Class A	132,544	8,801
*	eBay Inc.	226,974	7,926
*	Electronic Arts Inc.	69,160	7,312
	Intuit Inc.	54,559	7,246
*	Micron Technology Inc.	232,699	6,948
	HP Inc.	380,240	6,647
	Analog Devices Inc.	81,712	6,357
	Fidelity National Information Services Inc.	73,774	6,300
	TE Connectivity Ltd.	79,779	6,277
	Corning Inc.	208,388	6,262
	Hewlett Packard Enterprise Co.	373,840	6,202
*	Fiserv Inc.	48,130	5,888
	Western Digital Corp.	64,598	5,723
	Lam Research Corp.	36,525	5,166
	Amphenol Corp. Class A	69,000	5,094
	DXC Technology Co.	63,662	4,884
*	Autodesk Inc.	44,171	4,453
	Paychex Inc.	71,599	4,077
	Skyworks Solutions Inc.	41,487	3,981
	Microchip Technology Inc.	51,507	3,975
	Symantec Corp.	138,852	3,923
*	Red Hat Inc.	40,168	3,846
	Xilinx Inc.	56,076	3,607
	Alliance Data Systems Corp.	12,599	3,234
	Motorola Solutions Inc.	37,222	3,229
	KLA-Tencor Corp.	35,193	3,220
	Global Payments Inc.	34,305	3,098
	Harris Corp.	27,859	3,039
*	Citrix Systems Inc.	35,096	2,793
	Seagate Technology plc	66,750	2,587
*	Gartner Inc.	20,097	2,482
*	Synopsys Inc.	33,822	2,467
	NetApp Inc.	60,973	2,442
	CA Inc.	70,347	2,425
	Juniper Networks Inc.	85,771	2,391
*	ANSYS Inc.	19,248	2,342
*	Advanced Micro Devices Inc.	173,681	2,168
	Total System Services Inc.	37,148	2,164
	Western Union Co.	107,799	2,054
*	Akamai Technologies Inc.	39,052	1,945
*	F5 Networks Inc.	14,606	1,856
*	VeriSign Inc.	19,950	1,855
*	Qorvo Inc.	28,349	1,795
	Xerox Corp.	47,986	1,379
	FLIR Systems Inc.	31,063	1,077
	CSRA Inc.	32,614	1,035
			1,040,559
Materials (2.8%)			
	Dow Chemical Co.	253,048	15,960
	EI du Pont de Nemours & Co.	194,112	15,667
	Monsanto Co.	98,380	11,644
	Praxair Inc.	63,934	8,474
	Ecolab Inc.	58,875	7,816
	Air Products & Chemicals Inc.	48,835	6,986
	Sherwin-Williams Co.	18,223	6,396
	PPG Industries Inc.	57,646	6,339
	LyondellBasell Industries NV Class A	74,096	6,253
	International Paper Co.	92,306	5,225
	Nucor Corp.	71,560	4,141
	Newmont Mining Corp.	119,281	3,863
	Vulcan Materials Co.	29,777	3,772
*	Freeport-McMoRan Inc.	298,390	3,584
	Ball Corp.	78,744	3,324
	WestRock Co.	56,140	3,181
	Martin Marietta Materials Inc.	14,134	3,146
	Eastman Chemical Co.	33,006	2,772
	Albemarle Corp.	25,240	2,664
	International Flavors & Fragrances Inc.	17,742	2,395
	FMC Corp.	30,094	2,198
	Sealed Air Corp.	43,496	1,947
	Mosaic Co.	78,443	1,791
	Avery Dennison Corp.	20,028	1,770
	CF Industries Holdings Inc.	52,465	1,467
			132,775
Real Estate (2.9%)			
	American Tower Corporation	95,840	12,681
	Simon Property Group Inc.	70,198	11,355
	Crown Castle International Corp.	82,429	8,258
	Equinix Inc.	17,444	7,486
	Public Storage	33,529	6,992
	Prologis Inc.	118,821	6,968
	Welltower Inc.	81,331	6,088
	AvalonBay Communities Inc.	30,920	5,942
	Weyerhaeuser Co.	168,125	5,632
	Ventas Inc.	79,597	5,530
	Equity Residential	82,404	5,425
	Boston Properties Inc.	34,487	4,243
	Digital Realty Trust Inc.	35,741	4,037
	Essex Property Trust Inc.	14,697	3,781
	Vornado Realty Trust	38,594	3,624
	Realty Income Corp.	61,109	3,372
	HCP Inc.	105,031	3,357
	GGP Inc.	131,082	3,088
	Host Hotels & Resorts Inc.	165,918	3,031
	Mid-America Apartment Communities Inc.	25,447	2,682
*	CBRE Group Inc. Class A	67,516	2,457
	Alexandria Real Estate Equities Inc.	20,010	2,411
	SL Green Realty Corp.	22,654	2,397
	UDR Inc.	59,978	2,337
	Extra Space Storage Inc.	28,182	2,198
	Federal Realty Investment Trust	16,298	2,060
	Regency Centers Corp.	32,781	2,053
	Iron Mountain Inc.	55,069	1,892
	Kimco Realty Corp.	96,222	1,766
	Macerich Co.	27,077	1,572
	Apartment Investment & Management Co.	35,233	1,514
			136,229
Telecommunication Services (2.1%)			
	AT&T Inc.	1,384,126	52,223
	Verizon Communications Inc.	918,408	41,016
*	Level 3 Communications Inc.	65,565	3,888
	CenturyLink Inc.	122,574	2,927
			100,054
Utilities (3.1%)			
	NextEra Energy Inc.	104,989	14,712
	Duke Energy Corp.	157,012	13,125
	Dominion Energy Inc.	140,968	10,802
	Southern Co.	222,492	10,653
	American Electric Power Co. Inc.	110,363	7,667
	PG&E Corp.	113,825	7,555
	Exelon Corp.	208,023	7,503
	Sempra Energy	56,211	6,338
	PPL Corp.	152,569	5,898
	Edison International	73,113	5,717
	Consolidated Edison Inc.	68,467	5,533
	Xcel Energy Inc.	113,840	5,223
	Public Service Enterprise Group Inc.	113,587	4,885
	WEC Energy Group Inc.	71,102	4,364
	Eversource Energy	71,134	4,319
	DTE Energy Co.	40,248	4,258
	American Water Works Co. Inc.	40,085	3,125
	Entergy Corp.	40,193	3,086
	Ameren Corp.	54,811	2,996
	CMS Energy Corp.	63,260	2,926
	FirstEnergy Corp.	99,702	2,907
	CenterPoint Energy Inc.	96,689	2,647
	SCANA Corp.	32,051	2,148
	Pinnacle West Capital Corp.	24,957	2,125
	Alliant Energy Corp.	51,053	2,051
	NiSource Inc.	72,451	1,837
	AES Corp.	148,070	1,645
	NRG Energy Inc.	71,474	1,231
			147,276
Total Common Stocks (Cost $3,213,146)			4,674,144

	Shares	Market Value• ($000)
Temporary Cash Investments (0.8%)[1]		
Money Market Fund (0.8%)		
[2,3] Vanguard Market Liquidity Fund, 1.181%	387,959	38,803
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[4] United States Treasury Bill, 0.918%, 9/14/17	500	499
[4] United States Treasury Bill, 0.923%, 9/21/17	500	499
[4] United States Treasury Bill, 0.949%, 10/19/17	400	399
		1,397
Total Temporary Cash Investments (Cost $40,200)		40,200
Total Investments (100.0%) (Cost $3,253,346)		4,714,344

	Amount ($000)
Other Assets and Liabilities (0.0%)	
Other Assets	
Investment in Vanguard	309
Receivables for Accrued Income	4,693
Receivables for Capital Shares Issued	2,428
Other Assets[4]	124
Total Other Assets	7,554
Liabilities	
Payables for Investment Securities Purchased	(2,024)
Collateral for Securities on Loan	(594)
Payables for Capital Shares Redeemed	(2,943)
Payables to Vanguard	(3,132)
Total Liabilities	(8,693)
Net Assets (100%)	
Applicable to 127,469,236 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	4,713,205
Net Asset Value Per Share	$36.98

At June 30, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	3,179,097
Undistributed Net Investment Income	37,891
Accumulated Net Realized Gains	35,395
Unrealized Appreciation (Depreciation)	
Investment Securities	1,460,998
Futures Contracts	(176)
Net Assets	4,713,205

• 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 $588,000.

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 100.0% and 0.0%, 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 $594,000 of collateral received for securities on loan.

4 Securities with a value of $1,397,000 and cash of $105,000 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, 2017
	($000)
Investment Income	
Income	
Dividends	44,456
Interest[1]	109
Securities Lending—Net	17
Total Income	44,582
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	550
Management and Administrative	2,415
Marketing and Distribution	340
Custodian Fees	36
Shareholders' Reports	68
Trustees' Fees and Expenses	2
Total Expenses	3,411
Net Investment Income	**41,171**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	33,579
Futures Contracts	1,765
Realized Net Gain (Loss)	**35,344**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	324,759
Futures Contracts	(58)
Change in Unrealized Appreciation (Depreciation)	**324,701**
Net Increase (Decrease) in Net Assets Resulting from Operations	**401,216**

1 Interest income and realized net gain (loss) from an affiliated company of the portfolio were $105,000 and $0, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	41,171	85,626
Realized Net Gain (Loss)	35,344	145,708
Change in Unrealized Appreciation (Depreciation)	324,701	236,189
Net Increase (Decrease) in Net Assets Resulting from Operations	401,216	467,523
Distributions		
Net Investment Income	(85,191)	(91,047)
Realized Capital Gain[1]	(145,507)	(74,373)
Total Distributions	(230,698)	(165,420)
Capital Share Transactions		
Issued	227,758	466,783
Issued in Lieu of Cash Distributions	230,698	165,420
Redeemed	(245,100)	(589,792)
Net Increase (Decrease) from Capital Share Transactions	213,356	42,411
Total Increase (Decrease)	383,874	344,514
Net Assets		
Beginning of Period	**4,329,331**	**3,984,817**
End of Period[2]	**4,713,205**	**4,329,331**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $3,181,000 and $600,000 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 $37,891,000 and $81,911,000.

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, 2017	Year Ended December 31, 2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$35.63	$33.25	$34.44	$31.50	$24.93	$22.85
Investment Operations						
Net Investment Income	.322	.704	.759[1]	.587	.545	.512
Net Realized and Unrealized Gain (Loss) on Investments	2.921	3.055	(.338)	3.522	7.235	3.062
Total from Investment Operations	3.243	3.759	.421	4.109	7.780	3.574
Distributions						
Dividends from Net Investment Income	(.699)	(.759)	(.569)	(.555)	(.505)	(.474)
Distributions from Realized Capital Gains	(1.194)	(.620)	(1.042)	(.614)	(.705)	(1.020)
Total Distributions	(1.893)	(1.379)	(1.611)	(1.169)	(1.210)	(1.494)
Net Asset Value, End of Period	$36.98	$35.63	$33.25	$34.44	$31.50	$24.93
Total Return	9.28%	11.81%	1.27%	13.51%	32.18%	15.86%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$4,713	$4,329	$3,985	$3,784	$3,199	$2,418
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.15%	0.16%	0.16%	0.17%
Ratio of Net Investment Income to Average Net Assets	1.81%	2.08%	2.31%[1]	1.88%	1.96%	2.13%
Portfolio Turnover Rate	5%	7%	4%	7%	8%	9%

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 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.

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, 2017, 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, 2013–2016), and for the period ended June 30, 2017, 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 event 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. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

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, 2017, 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, 2017, the portfolio had contributed to Vanguard capital in the amount of $309,000, representing 0.01% of the portfolio's net assets and 0.12% 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, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	4,674,144	—	—
Temporary Cash Investments	38,803	1,397	—
Futures Contracts—Assets[1]	15	—	—
Total	4,712,962	1,397	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2017, 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 2017	338	40,913	(176)

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, 2017, the cost of investment securities for tax purposes was $3,253,346,000. Net unrealized appreciation of investment securities for tax purposes was $1,460,998,000, consisting of unrealized gains of $1,641,276,000 on securities that had risen in value since their purchase and $180,278,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2017, the portfolio purchased $111,048,000 of investment securities and sold $108,224,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	Shares (000)	Shares (000)
Issued	6,205	14,135
Issued in Lieu of Cash Distributions	6,442	5,208
Redeemed	(6,681)	(17,679)
Net Increase (Decrease) in Shares Outstanding	5,966	1,664

At June 30, 2017, three shareholders (including 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 a record or beneficial owner of 30% or more of the portfolio's net assets, with a combined ownership of 96%. 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, 2017, 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, 2017

Equity Index Portfolio	Beginning Account Value 12/31/2016	Ending Account Value 6/30/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,092.75	$0.78
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.05	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 (181/365).

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. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also 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 compared with its 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 expenses were 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 for this portfolio.

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 197 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. 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 email 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, 2017

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: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

A Message from Vanguard's Chairman

Dear Planholder,

More than a decade ago, the eminent investor and commentator Howard Marks published a memo to his clients titled simply "Risk." In it, Howard distilled the relationship between investors and risk. "When you boil it all down, it's the investor's job to intelligently bear risk for profit," he wrote.

It's not surprising, then, that everyone from portfolio managers to behavioral economists avidly studies how investors' reactions to risk influence not only individual investment decisions but also the broader financial markets. I'm a big fan of some of the behavioral finance work being done, which includes studies by our own investment strategists and analysts.

A lens on investor behavior

For example, Vanguard's Investment Strategy Group introduced a "risk speedometers" report in January to look at how investors are reacting to market developments. This lens on real-world behavior measures the risk investors are taking in a given period by calculating the difference between net cash flows into higher-risk assets, such as stocks, and net cash flows into lower-risk assets, such as Treasuries. The measures are then compared with long-term averages.

In the spring, the risk speedometer spiked. The spike was fueled by investors' decisions to direct more of their equity dollars to international investments in developed and emerging markets, and their bond dollars to riskier credit categories.

A spiking speedometer seems a fitting analogy for what can happen. I consider myself a responsible driver. Still, when the highway is clear and the weather is nice, I might glance down at the speedometer and find that my right foot has gotten a little heavy.

The same phenomenon is possible with our investment portfolios. Just as our attention can drift from our speed—and the risk level on the road—we can neglect the risk level of our portfolio's asset allocation. Experience teaches that investors are especially prone to lose sight of risk when markets have been buoyant.

How I manage risk in my own portfolio

Rebalancing—periodically adjusting your asset allocation so it stays in line with your goals and risk tolerance—is one of the best ways I know of to help manage risk. Without rebalancing, your portfolio may end up potentially riskier than you intended and no longer aligned with your goals.

I have a ritual I perform every June and again each December, between Christmas and New Year's, as I prepare for a series of annual meetings with the Vanguard crew. I'll set aside some time, review my investment portfolio, and, if necessary, rebalance back to my target asset allocation.

My own portfolio is a mix of equity and fixed income funds, and I invest in both actively managed funds and index funds. Most years, I'll make a minor adjustment to get back to the appropriate asset allocation for my own longer-term goals and risk tolerance. It's not all that complicated, although my portfolio is a little more complex than some because I own more funds than we'd typically suggest. As chairman of Vanguard's funds, I feel I should own a significant number of them.

Consider your options

You should consider rebalancing if your target allocation is off by 5 percentage points or more. Admittedly, this is often easier said than done. When an investment has performed exceptionally well, people have a hard time trimming it. They can be led astray by that old (and none-too-helpful) investing saw: Let your winners run.

Fortunately, in recent years we've seen all sorts of investors take steps to rebalance. Many of the endowments, foundations, and traditional pension plans that Vanguard serves have good processes built into their investment guidelines to make sure rebalancing takes place on a regular basis. And among investors in defined contribution retirement plans, more and more are using target-date funds, where rebalancing happens automatically.

If you choose to rebalance on your own, use your target asset allocation as your guidepost. Don't be afraid to buy into bad news. In a sense, don't worry about the noise of the marketplace. If you work with an advisor, make sure he or she understands the importance you place on your rebalancing ritual.

And remember, the goal of rebalancing is to manage risk, not to avoid it altogether. Risk is inherent in investing—we just want to bear that risk intelligently.

In that insightful memo on risk, Howard Marks included a saying often attributed to Will Rogers: "You've got to go out on a limb sometimes because that's where the fruit is."

Tim Buckley chosen as Vanguard's next CEO

In closing, I'll note senior leadership changes that we announced in July. Our board of directors has elected Vanguard Chief Investment Officer Tim Buckley as president and director of Vanguard. Under the planned transition, Tim will succeed me as Vanguard's chief executive officer on January 1, 2018.

I'm delighted with our board's selection of Tim. We first met in 1991 when Tim was interviewing for a job at Vanguard. In the decades since, we've worked closely together, and he's always impressed me as a man of tremendous character and an outstanding leader with a passion for serving our clients. During the transition period, I will work closely with Tim in managing the firm and overseeing its operations.

Replacing Tim as chief investment officer is Greg Davis, who had been global head of Vanguard Fixed Income Group. And succeeding Greg as our fixed income leader is John Hollyer, who most recently served as our global head of investment risk management. I know Greg and John will both do a superb job in their new roles.

As with past successions, I will remain as chairman for a period of time determined by the board. On a personal note, it has been an honor and a privilege to lead Vanguard. Having spent more than half my life at Vanguard, I have come to know many fabulous crew members who are incredibly dedicated to Vanguard's mission. Please be assured that Tim and the rest of the team will serve you and our other clients extremely well as Vanguard prepares for its next chapter.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2017

Market Perspective

U.S. stocks posted strong gains as corporate earnings increased

U.S. stocks climbed steadily over the six months ended June 30, 2017, and hovered near all-time highs as investors accepted risk, corporate earnings exceeded expectations, and stock valuations increased. Volatility was generally muted. Also, the Federal Reserve's gradual short-term interest rate increases and its plans to reduce its balance sheet didn't disrupt markets.

The Fed's move in June to raise the federal funds target rate by a quarter of a percentage point, to 1%–1.25%, was its second increase in 2017 and its fourth since it began raising the rate at the end of 2015. In announcing the change, Fed Chairwoman Janet Yellen noted the economy's resilience.

The broad U.S. stock market returned 8.93% for the six months. U.S. large- and mid-capitalization stocks outperformed their small-cap counterparts, while growth surpassed value. Among sectors, health care, information technology, and industrials climbed the most and energy and telecommunication services lagged.

For U.S. investors, a weaker dollar boosted international stocks, which returned 13.95%. Developed European and Pacific markets, as well as emerging markets, produced double-digit returns.

Bond prices benefited from monetary stimulus programs

Demand for bonds helped drive global fixed income returns higher even as investors flocked to equities. After a short-term rebound, inflation expectations declined, contributing to lower yields for longer-dated U.S. Treasuries and higher bond prices. (Bond prices and yields move in opposite directions.) Accommodative monetary policies also supported bond prices, although indications that the European Central Bank might reduce its bond-buying stimulus sooner than expected led to a sharp price decline over the period's final week.

The yield of the benchmark 10-year Treasury note closed the period at 2.30%, down from 2.45% at the end of December 2016. The broad U.S. bond market returned 2.27% for the period. Investment-grade corporate bonds outpaced Treasuries and mortgage-backed securities.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 6.12%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds and finished with gains of less than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.27%	18.03%	14.67%
Russell 2000 Index (Small-caps)	4.99	24.60	13.70
Russell 3000 Index (Broad U.S. market)	8.93	18.51	14.58
FTSE All-World ex US Index (International)	13.95	20.53	7.68
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.27%	-0.31%	2.21%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.57	-0.49	3.26
Citigroup Three-Month U.S. Treasury Bill Index	0.30	0.46	0.13
CPI			
Consumer Price Index	1.46%	1.63%	1.31%

Vanguard® Balanced Portfolio

Advisor's Report

Vanguard Balanced Portfolio returned 6.16% for the six months ended June 30, 2017. The portfolio underperformed the 7.12% return of its blended benchmark (a mix of 65% large-capitalization stocks and 35% high-quality corporate bonds) and the 7.64% average return of peer funds. The stock portion of the portfolio underperformed its benchmark, the Standard & Poor's 500 Index, while the bond portion slightly outperformed its benchmark, the Bloomberg Barclays U.S. Credit A or Better Bond Index.

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 lagged those abroad over the six-month period. The S&P 500 Index returned 9.34%, the MSCI World Index returned 11.02%, and the MSCI EAFE Index returned 13.81%.

The news continued to paint a promising picture of the U.S. economy, including multiyear lows in unemployment and healthy housing market trends. Stock prices have risen on market anticipation that regulatory pressure would ease and that lower corporate taxes could boost earnings. In the United States, large-capitalization growth stocks outperformed large-cap value stocks, as measured by the Russell 1000 Growth and Russell 1000 Value Indexes. The Federal Reserve, continuing its policy of monetary tightening, raised interest rates again in March and June.

The broad fixed income markets rose during the period—the Bloomberg Barclays U.S. Aggregate Bond Index returned 2.27% for the six months. The higher-quality credit market performed even better: The Bloomberg Barclays U.S. Credit A or Better Bond Index returned 3.09%. The yield on the 10-year U.S. Treasury note fell, beginning the period at 2.45% and ending at 2.31%.

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.

Within the equity portfolio, strong selection in the industrial, consumer staples, and real estate sectors—as well as an underweight allocation to telecommunication services and an overweight allocation to health care—contributed most to relative performance. Positions in Apple, CSX, and Alphabet, the parent company of Google, contributed most to absolute returns; our avoidance of benchmark constituent General Electric contributed most to relative results.

Shares of rail company CSX rose after Hunter Harrison's appointment as CEO of the company. Mr. Harrison has a strong track record of improving profitability by cutting costs and streamlining operations, and investors appeared optimistic that he could do the same for CSX. We sold our position on strength during the period.

Although General Electric has strong positions in several markets, we felt that the company's execution and cash flow generation have not met expectations.

Our shortfalls

In the equity portfolio, weak stock selection in the information technology, consumer discretionary, and health care sectors hurt relative results most. An overweight allocation to the energy sector and underweight allocation to the information technology sector also detracted from relative performance.

Total Returns

	Six Months Ended June 30, 2017
Vanguard Balanced Portfolio	6.16%
Composite Stock/Bond Index[1]	7.12
Variable Insurance Mixed-Asset Target Growth Funds Average[2]	7.64

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% Bloomberg 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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 2016.

Positions in Anadarko Petroleum, Chevron, and Verizon Communications hurt absolute results most, while our lack of exposure to strong benchmark performers Facebook and Amazon.com detracted on a relative basis. Within telecommunication services, we benefited from the underweight allocation but were hurt by our overweight to Verizon.

In energy, Anadarko declined because of weakness in oil prices and negative news about an explosion in a recently acquired pipeline in Colorado. We continue to respect the company's strong track record in exploration, and we believe some of the company's assets are underappreciated. In addition, Anadarko's strong balance sheet should provide flexibility to weather a challenging price environment.

Within consumer discretionary, not holding benchmark constituent Amazon.com hurt performance. Amazon shares surged on strong performance and rising expectations for both the company's international expansion and its cloud business. While we acknowledge the strength of Amazon's business model, it does not fit our investment approach. We have reservations about the complexity of the business, particularly in light of the recently announced Whole Foods acquisition, and the stock lacks both yield and an attractive valuation. In the fixed income portfolio, duration and yield curve positioning as well as credit spread duration detracted most from relative performance.

Portfolio positioning

In the fourth quarter of 2016, the change in U.S. administrations boosted value stocks; the first six months of 2017, in contrast, reflected a shift back to growth-oriented equities. In the equity portfolio, we are typically underexposed to high-growth, non-yielding securities, which outperformed during the six-month period.

Disruptive technologies have had far-reaching effects on autos, energy, distributors, media, consumer brands, and apparel. Many businesses, such as distributors—which benefited from having an efficient and convenient platform to deliver products—now face price transparency, making it difficult for them to market high-margin products and maintain pricing power. Against this backdrop, we are looking to add to attractively priced companies that may be able to further disrupt their sectors or industries. We are also looking for opportunities to take advantage of economic growth outside the United States.

In the equity portfolio, our largest overweights at the end of the period were in the financial, energy, and health care sectors, while our largest underweights were in the information technology, consumer discretionary, and real estate sectors. As always, these allocations are determined by a bottom-up analysis and are largely attributable to companies' valuations.

Capital flows into energy exploration have generally exceeded our expectations, causing supply to surprise on the upside. The industry added back capacity much more quickly than expected after OPEC announced production cuts. We are investing in companies with a more patient approach to capital allocation and stronger balance sheets.

With equity market performance as strong as it's been since 2008–2009, it is counterintuitive that financials are relatively inexpensive at this stage of the cycle despite continued benefits from cost-control measures and an improving interest rate environment. It is also unusual that the sectors with the most attractive valuations are financials, health care, and energy. In the past, we might have expected to find more opportunities in utilities, staples, and real estate investment trusts (REITs); they currently are closer to the high end of valuation ranges. We expect to see solid growth, improving wages, rising interest rates, and healthy consumer appetite. We believe Congress will feel compelled to accomplish some measure of reform in order to retain credibility leading up to midterm elections.

Over the last six months we have added new positions in Abbott Laboratories, Kinder Morgan, QUALCOMM, and ConocoPhillips. QUALCOMM is an example of a technology company with an above-average yield and good growth prospects. We invested in the stock with the view that the company has a strong position in technology, that its current litigation with Apple is likely to be settled favorably, and that its proposed merger with NXP Semiconductors should position the company to be more competitive in automotive electronics. We eliminated our positions in CSX, Royal Dutch Shell, Mondelez, and Synchrony Financial.

We continue to rely on our process and philosophy as we construct the portfolio and adjust our positioning. We remain focused on the significance of dividends, positive capital stewardship, and franchise value. We believe we have a solid portfolio of undervalued market leaders, companies in industries with improving supply/demand trends, and strong companies that are temporarily out of favor. We see our process as critical to providing downside protection and believe the current portfolio reflects an appropriate balance. We believe that in coming quarters we should be rewarded for our focus on valuation, as some of the higher-growth, higher-valuation companies could retrace recent gains.

On the fixed income side, we encountered a few unexpected factors. These included the stability of longer-term interest rates in the face of higher short-term rates, the Fed's plans to reduce its holdings of Treasuries and mortgage securities, and the prospects of a debt-financed fiscal package intended to further stimulate growth. Offsetting these pressures, inflation remains persistently lower than most forecasts. We remain biased toward higher short-term interest rates, given the strengthening labor markets and early signs of rising wage pressures. Aware of these powerful forces, we choose to limit our interest rate risk relative to the benchmark and to focus our higher-rate bias at the short end of the yield curve, where the Fed has the greatest influence on yield levels. We anticipate a flatter yield curve, and our expectations for inflation, the primary driver of long-term interest rates, remain subdued.

Despite the prolonged economic cycle and persistently good earnings from the corporate sector, we view the credit cycle as mature, with most of the narrowing of spreads (corporate compared with Treasury) behind us. While we do not see any immediate catalyst for spreads to widen, we have begun to reduce our credit risk exposure.

We remain uninterested in the mortgage-backed-securities sector because these securities will be sold from the Fed's portfolio, but we are finding securities in the asset-backed sector that are good surrogates for short-maturity corporate bonds.

We anticipate increased volatility amid much geopolitical uncertainty and uncertainty over the fate of the Trump administration policies, offering opportunities for surprise. In this context, we are focused on identifying solid company-specific investment catalysts and mispriced individual securities.

Edward P. Bousa, CFA,
Senior Managing Director and
Equity Portfolio Manager

John C. Keogh,
Senior Managing Director and
Fixed Income Portfolio Manager

Loren L. Moran, CFA,
Managing Director
and Fixed Income Portfolio Manager

Michael E. Stack, CFA,
Senior Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

July 19, 2017

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer you will be asked to vote on the election of trustees for all U.S.-domiciled Vanguard funds. Shareholders will also be asked to vote on several fund policy proposals that we believe are in the best interests of all shareholders.

Vanguard filed a preliminary proxy statement on July 13, 2017, with the U.S. Securities and Exchange Commission (SEC). Following the SEC's review, we expect to provide the proxy materials to Vanguard fund shareholders beginning in late August 2017. That's when you can begin to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

Portfolio Profile

As of June 30, 2017

Total Portfolio Characteristics

Yield[1]	2.3%
Turnover Rate[2]	30%
Expense Ratio[3]	0.23%
Short-Term Reserves	3.4%

Total Portfolio Volatility Measures[4]

	Portfolio Versus Composite Index[5]	Portfolio Versus Broad Index[6]
R-Squared	0.97	0.94
Beta	1.00	0.63

Equity Characteristics

	Portfolio	Comparative Index[7]	Broad Index[6]
Number of Stocks	98	505	3,800
Median Market Cap	$90.8B	$87.8B	$59.8B
Price/Earnings Ratio	19.3x	21.5x	21.2x
Price/Book Ratio	2.3x	3.0x	2.9x
Dividend Yield	2.5%	1.9%	1.8%
Return on Equity	19.4%	24.1%	16.3%
Earnings Growth Rate	5.0%	8.1%	10.0%
Foreign Holdings	10.8%	0.0%	0.0%

Fixed Income Characteristics

	Portfolio	Comparative Index[8]	Broad Index[9]
Number of Bonds	821	3,114	9,347
Yield to Maturity	2.8%[10]	2.8%	2.6%
Average Coupon	3.4%	3.4%	3.1%
Average Effective Maturity	9.6 years	9.7 years	8.2 years
Average Duration	6.6 years	7.0 years	6.0 years

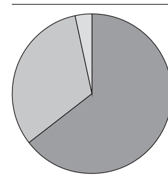
Ten Largest Stocks[11] (% of equity portfolio)

Microsoft Corp.	Systems Software	3.3%
JPMorgan Chase & Co.	Diversified Banks	2.9
Bank of America Corp.	Diversified Banks	2.7
Comcast Corp. Class A	Cable & Satellite	2.7
Chevron Corp.	Integrated Oil & Gas	2.6
Alphabet Inc. Class A	Internet Software & Services	2.6
Chubb Ltd.	Property & Casualty Insurance	2.4
Intel Corp.	Semiconductors	2.3
Prudential Financial Inc.	Life & Health Insurance	2.1
Merck & Co. Inc.	Pharmaceuticals	2.1
Top Ten Total		25.7%
Top Ten as % of Total Net Assets		16.5%

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[7]	Broad Index[6]
Consumer Discretionary	6.4%	12.3%	12.7%
Consumer Staples	7.6	9.1	8.0
Energy	9.0	6.0	5.6
Financials	24.4	14.5	15.0
Health Care	16.5	14.5	14.0
Industrials	11.6	10.3	10.8
Information Technology	15.0	22.3	21.4
Materials	2.7	2.8	3.3
Real Estate	1.3	2.9	4.1
Telecommunication Services	1.5	2.1	1.9
Utilities	4.0	3.2	3.2

Portfolio Asset Allocation



64.5%	Stocks
32.1%	Bonds
3.4%	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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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% Bloomberg Barclays 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 Bloomberg Barclays U.S. Credit A or Better Bond Index.

9 Bloomberg Barclays U.S. Aggregate Bond Index.

10 Before expenses.

11 The holdings listed exclude any temporary cash investments and equity index products.

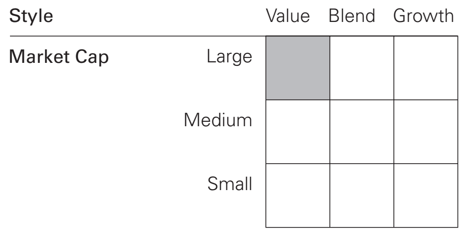
Distribution by Credit Quality[1]
(% of fixed income portfolio)

U.S. Government	16.5%
Aaa	5.5
Aa	15.1
A	44.7
Baa	18.2

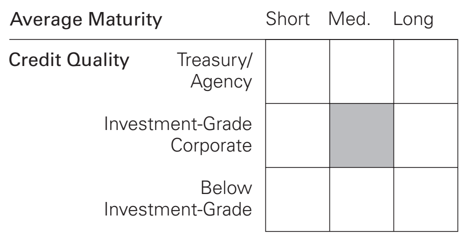
Sector Diversification[2]
(% of fixed income portfolio)

Asset-Backed/Commercial Mortgage-Backed	4.0%
Finance	26.5
Foreign	5.7
Industrial	34.6
Treasury/Agency	16.1
Utilities	7.2
Other	5.9

Equity Investment Focus



Fixed Income 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.

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.

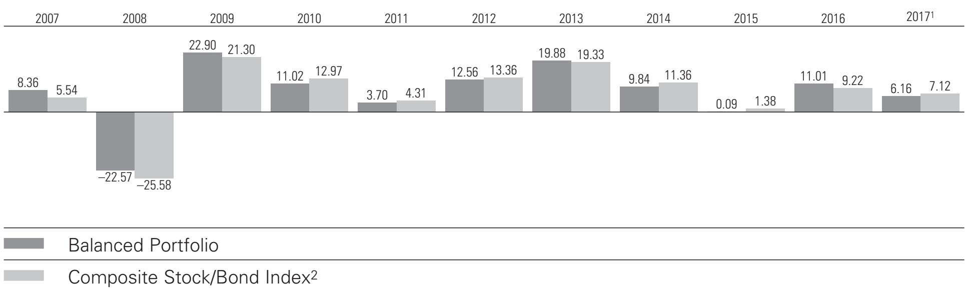
1 Source: Moody's Investors Service.

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, 2006–June 30, 2017



Average Annual Total Returns: Periods Ended June 30, 2017

	Inception Date	One Year	Five Years	Ten Years
Balanced Portfolio	5/23/1991	12.25%	10.43%	6.93%

1 Six months ended June 30, 2017.
2 Weighted 65% S&P 500 Index and 35% Bloomberg Barclays U.S. Credit A or Better Bond Index.
See Financial Highlights for dividends and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2017

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 (64.4%)		
	Consumer Discretionary (4.1%)		
	Comcast Corp. Class A	1,189,138	46,281
	Twenty-First Century Fox Inc. Class A	597,364	16,929
	Ford Motor Co.	1,499,130	16,775
	Lowe's Cos. Inc.	168,710	13,080
	L Brands Inc.	112,620	6,069
	Hilton Worldwide Holdings Inc.	97,633	6,039
	Bayerische Motoren Werke AG	60,433	5,621
			110,794
	Consumer Staples (4.9%)		
	PepsiCo Inc.	232,500	26,851
	Unilever NV	439,813	24,279
	Philip Morris International Inc.	157,930	18,549
	Walgreens Boots Alliance Inc.	221,740	17,364
	Diageo plc	500,633	14,795
	CVS Health Corp.	164,550	13,240
	Costco Wholesale Corp.	65,260	10,437
	British American Tobacco plc	99,660	6,791
			132,306
	Energy (5.8%)		
	Chevron Corp.	430,500	44,914
	TOTAL SA	471,804	23,424
	Exxon Mobil Corp.	260,878	21,061
	ConocoPhillips	307,030	13,497
	Suncor Energy Inc.	458,200	13,388
	Anadarko Petroleum Corp.	232,350	10,535
	Kinder Morgan Inc.	461,220	8,837
	Hess Corp.	166,560	7,307
	BP plc	867,130	5,005
	Eni SPA	321,085	4,825
	Valero Energy Corp.	49,090	3,311
			156,104
	Financials (15.8%)		
	JPMorgan Chase & Co.	550,783	50,342
	Bank of America Corp.	1,932,937	46,893
	Chubb Ltd.	282,500	41,070
	Prudential Financial Inc.	339,410	36,704
	Wells Fargo & Co.	562,690	31,179
	PNC Financial Services Group Inc.	243,500	30,406
	Marsh & McLennan Cos. Inc.	243,730	19,001
	Citigroup Inc.	270,400	18,084
	Northern Trust Corp.	174,320	16,946
	Mitsubishi UFJ Financial Group Inc.	2,409,130	16,250
	BlackRock Inc.	38,309	16,182
	Intercontinental Exchange Inc.	239,075	15,760
	Goldman Sachs Group Inc.	65,300	14,490
	MetLife Inc.	249,873	13,728
^	Bank of Nova Scotia	194,010	11,666
	BNP Paribas SA	141,838	10,211
	Hartford Financial Services Group Inc.	179,250	9,423
	American International Group Inc.	142,671	8,920
	Zurich Insurance Group AG	21,183	6,182
	UBS Group AG	326,408	5,542
	ING Groep NV	229,479	3,961
	Tokio Marine Holdings Inc.	91,200	3,795
			426,735
	Health Care (10.6%)		
	Merck & Co. Inc.	561,419	35,981
	Bristol-Myers Squibb Co.	615,580	34,300
	AstraZeneca plc ADR	900,868	30,711
	Johnson & Johnson	208,880	27,633
	Medtronic plc	280,980	24,937
	Pfizer Inc.	618,238	20,767
	UnitedHealth Group Inc.	98,975	18,352
	Eli Lilly & Co.	222,555	18,316
	Cardinal Health Inc.	224,790	17,516
	Novartis AG	209,658	17,512
	Abbott Laboratories	252,719	12,285
*	HCA Healthcare Inc.	107,870	9,406
	Roche Holding AG	29,053	7,423
	McKesson Corp.	41,130	6,767
*	Regeneron Pharmaceuticals Inc.	12,190	5,987
			287,893
	Industrials (7.5%)		
	United Parcel Service Inc. Class B	304,134	33,634
	Honeywell International Inc.	154,805	20,634
	Lockheed Martin Corp.	67,050	18,614
	Caterpillar Inc.	151,901	16,323
	Canadian National Railway Co.	192,812	15,628
	FedEx Corp.	68,187	14,819
^	ABB Ltd. ADR	566,317	14,101
	Eaton Corp. plc	179,540	13,974
	Airbus SE	162,290	13,393
	Siemens AG	84,395	11,609
	Schneider Electric SE	140,264	10,779
	Boeing Co.	44,461	8,792
	United Technologies Corp.	57,002	6,961
	Canadian Pacific Railway Ltd.	19,116	3,074
			202,335
	Information Technology (9.7%)		
	Microsoft Corp.	829,778	57,197
*	Alphabet Inc. Class A	48,250	44,857
	Intel Corp.	1,203,990	40,623
	Apple Inc.	248,222	35,749
	Accenture plc Class A	161,060	19,920
	Cisco Systems Inc.	601,639	18,831
	QUALCOMM Inc.	275,985	15,240
*	eBay Inc.	417,195	14,568
	International Business Machines Corp.	50,838	7,820
	Texas Instruments Inc.	91,440	7,035
			261,840
	Materials (1.7%)		
	Dow Chemical Co.	258,540	16,306
	International Paper Co.	241,610	13,678
	BHP Billiton plc	409,202	6,269
	Linde AG	29,378	5,592
	LyondellBasell Industries NV Class A	64,893	5,476
			47,321
	Real Estate (0.8%)		
	American Tower Corporation	149,122	19,732
	AvalonBay Communities Inc.	15,670	3,011
			22,743
	Telecommunication Services (0.9%)		
	Verizon Communications Inc.	572,300	25,559
	Utilities (2.6%)		
	NextEra Energy Inc.	231,910	32,498
	Dominion Energy Inc.	292,110	22,384
	Exelon Corp.	400,160	14,434
			69,316
	Total Common Stocks (Cost $1,279,020)		1,742,946

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (5.5%)				
U.S. Government Securities (5.1%)				
United States Treasury Note/Bond	0.625%	7/31/17	8,000	7,997
United States Treasury Note/Bond	1.000%	9/15/17	17,240	17,237
United States Treasury Note/Bond	0.750%	10/31/17	9,200	9,188
United States Treasury Note/Bond	0.625%	11/30/17	5,575	5,563
United States Treasury Note/Bond	0.875%	3/31/18	750	748
United States Treasury Note/Bond	0.750%	4/30/18	1,500	1,494
United States Treasury Note/Bond	1.000%	5/31/18	5,500	5,486
United States Treasury Note/Bond	0.750%	8/31/18	1,300	1,292
United States Treasury Note/Bond	1.375%	9/30/18	14,700	14,709
United States Treasury Note/Bond	0.750%	7/15/19	4,300	4,245
United States Treasury Note/Bond	1.750%	9/30/19	13,000	13,093
United States Treasury Note/Bond	1.375%	2/15/20	1,300	1,296
United States Treasury Note/Bond	1.375%	2/29/20	2,130	2,123
United States Treasury Note/Bond	1.625%	6/30/20	2,840	2,845
United States Treasury Note/Bond	1.250%	3/31/21	3,000	2,950
United States Treasury Note/Bond	1.375%	5/31/21	3,500	3,451
United States Treasury Note/Bond	2.000%	2/15/25	11,180	11,024
United States Treasury Note/Bond	2.000%	8/15/25	4,305	4,232
United States Treasury Note/Bond	2.875%	5/15/43	6,738	6,811
United States Treasury Note/Bond	3.375%	5/15/44	4,410	4,879
United States Treasury Note/Bond	3.125%	8/15/44	1,740	1,841
United States Treasury Note/Bond	2.500%	2/15/45	2,610	2,439
United States Treasury Note/Bond	2.875%	8/15/45	1,910	1,924
United States Treasury Note/Bond	2.500%	5/15/46	595	555
United States Treasury Note/Bond	2.250%	8/15/46	5,168	4,559
United States Treasury Note/Bond	2.875%	11/15/46	630	634
United States Treasury Note/Bond	3.000%	2/15/47	5,640	5,829
				138,444
Conventional Mortgage-Backed Securities (0.2%)				
[1,2] Freddie Mac Gold Pool	3.000%	4/1/45–2/1/47	5,167	5,161
[1,2] Freddie Mac Gold Pool	4.000%	9/1/41	7	7
[1] Ginnie Mae I Pool	7.000%	11/15/31–11/15/33	107	125
[1] Ginnie Mae I Pool	8.000%	9/15/30	60	62
				5,355
Nonconventional Mortgage-Backed Securities (0.2%)				
[1,2] Fannie Mae REMICS	3.500%	4/25/31	245	255
[1,2] Fannie Mae REMICS	4.000%	9/25/29–5/25/31	470	499
[1,2] Freddie Mac REMICS	3.500%	3/15/31	145	151
[1,2] Freddie Mac REMICS	4.000%	12/15/30–4/15/31	2,703	2,890
				3,795
Total U.S. Government and Agency Obligations (Cost $146,534)				147,594
Asset-Backed/Commercial Mortgage-Backed Securities (1.1%)				
[3] American Tower Trust I	1.551%	3/15/18	380	379
[3] American Tower Trust I	3.070%	3/15/23	1,100	1,104
[1,3,4] Apidos CLO XVII	2.468%	4/17/26	1,295	1,298
[1,3,4] Ares XXIX CLO Ltd.	2.348%	4/17/26	1,195	1,198
[1,3,4] Atlas Senior Loan Fund VI Ltd.	2.408%	10/15/26	355	355
[1,3,4] Avery Point IV CLO Ltd.	2.256%	4/25/26	1,190	1,191
[3] Bank of Montreal	2.500%	1/11/22	1,700	1,709
[1,3,4] BlueMountain CLO 2014-1 Ltd.	2.430%	4/30/26	725	728
[1,3,4] Cent CLO 20 Ltd.	2.256%	1/25/26	1,295	1,295
[1,3,4] Cent CLO 21 Ltd.	2.380%	7/27/26	415	412
[1,3,4] Cent CLO 22 Ltd.	2.589%	11/7/26	930	934
[1,3,4] CIFC Funding 2014 Ltd.	2.208%	4/18/25	1,185	1,185
[1] COMM 2012-CCRE2 Mortgage Trust	3.147%	8/15/45	480	494
[3] DNB Boligkreditt AS	2.500%	3/28/22	1,315	1,323
[1,3,4] Dryden XXXI Senior Loan Fund	2.238%	4/18/26	1,160	1,161
[1,3] Enterprise Fleet Financing LLC Series 2017-1	2.130%	7/20/22	210	209
[1,3] GM Financial Consumer Automobile 2017-1	1.510%	3/16/20	600	600
[1,4] LB-UBS Commercial Mortgage Trust 2008-C1	6.296%	4/15/41	545	557
[1,3,4] Limerock CLO II Ltd.	2.458%	4/18/26	1,300	1,305
[1,3,4] Madison Park Funding XII Ltd.	2.416%	7/20/26	920	925
[1,3,4] Madison Park Funding XIII Ltd.	2.268%	1/19/25	745	745
[1,3] MMAF Equipment Finance LLC 2017-A	1.730%	5/18/20	250	250
[1,3] OneMain Financial Issuance Trust 2016-2	4.100%	3/20/28	770	785
[1] Santander Drive Auto Receivables Trust 2013-2	2.570%	3/15/19	515	516
[1] Santander Drive Auto Receivables Trust 2014-2	2.330%	11/15/19	233	234
[3] SBA Tower Trust	2.898%	10/15/19	1,205	1,211
[1,3,4] Seneca Park CLO Ltd. 2014-1	2.278%	7/17/26	680	680
[1,3,4] SFAVE Commercial Mortgage Securities Trust 2015-5AVE	4.144%	1/5/43	700	705
[1,3,4] Shackleton 2014-VI CLO	2.318%	7/17/26	660	661
[1,3] Springleaf Funding Trust	3.160%	11/15/24	1,375	1,388
[1,3] Springleaf Funding Trust 2015-B	3.480%	5/15/28	590	602
[1,3,4] Symphony CLO XIV Ltd.	2.435%	7/14/26	1,125	1,129
[1,3,4] Thacher Park CLO Ltd.	2.153%	10/20/26	505	505
[3] Toronto-Dominion Bank	2.500%	1/18/22	2,100	2,110
[1] Utility Debt Securitization Authority Series 2013T	3.435%	12/15/25	210	218
[1,3,4] Voya CLO 2014-1 Ltd.	2.488%	4/18/26	525	526
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost $30,558)				30,627
Corporate Bonds (21.6%)				
Finance (8.4%)				
Banking (6.7%)				
American Express Centurion Bank	6.000%	9/13/17	500	504
American Express Co.	1.550%	5/22/18	1,635	1,634
American Express Credit Corp.	2.125%	7/27/18	1,235	1,239
American Express Credit Corp.	2.250%	8/15/19	800	807
American Express Credit Corp.	2.700%	3/3/22	1,505	1,518
Bank of America Corp.	6.000%	9/1/17	1,010	1,017
Bank of America Corp.	5.750%	12/1/17	500	508
Bank of America Corp.	6.875%	4/25/18	1,250	1,301
Bank of America Corp.	5.625%	7/1/20	85	93
Bank of America Corp.	5.875%	1/5/21	3,000	3,334
Bank of America Corp.	3.300%	1/11/23	120	122
Bank of America Corp.	4.000%	1/22/25	875	889
Bank of America Corp.	5.875%	2/7/42	260	324
Bank of America Corp.	5.000%	1/21/44	1,000	1,134
Bank of America Corp.	4.875%	4/1/44	420	472
Bank of New York Mellon Corp.	2.150%	2/24/20	1,580	1,586
Bank of New York Mellon Corp.	2.200%	8/16/23	460	445
[4] Bank of New York Mellon Corp.	2.222%	10/30/23	1,145	1,168
Bank of New York Mellon Corp.	3.000%	2/24/25	720	719
Bank of Nova Scotia	2.050%	10/30/18	1,600	1,607
Bank of Nova Scotia	2.800%	7/21/21	750	761
[3] Bank of Tokyo-Mitsubishi UFJ Ltd.	1.700%	3/5/18	1,390	1,390
[3] Banque Federative du Credit Mutuel SA	2.750%	10/15/20	1,200	1,218
[3] Barclays Bank plc	6.050%	12/4/17	1,400	1,424
Barclays Bank plc	5.140%	10/14/20	160	171
Barclays plc	3.684%	1/10/23	700	715
BB&T Corp.	2.750%	4/1/22	1,700	1,718
Bear Stearns Cos. LLC	6.400%	10/2/17	235	238
Bear Stearns Cos. LLC	7.250%	2/1/18	425	438
BNP Paribas SA	2.400%	12/12/18	1,300	1,309
[3] BNP Paribas SA	2.950%	5/23/22	620	624
BNP Paribas SA	3.250%	3/3/23	305	314
[3] BNP Paribas SA	3.800%	1/10/24	1,170	1,217
BPCE SA	2.500%	12/10/18	220	221
BPCE SA	2.500%	7/15/19	1,400	1,412

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	BPCE SA	3.000%	5/22/22	255	257
	BPCE SA	4.000%	4/15/24	775	816
3	BPCE SA	5.150%	7/21/24	1,260	1,347
	Branch Banking & Trust Co.	2.625%	1/15/22	1,250	1,260
4	Canadian Imperial Bank of Commerce	1.970%	6/16/22	1,565	1,569
	Capital One Bank USA NA	2.150%	11/21/18	1,215	1,218
	Capital One Financial Corp.	4.750%	7/15/21	400	430
	Capital One Financial Corp.	3.750%	4/24/24	1,305	1,335
	Capital One Financial Corp.	3.200%	2/5/25	1,050	1,024
	Capital One Financial Corp.	4.200%	10/29/25	310	312
	Citigroup Inc.	1.750%	5/1/18	500	499
	Citigroup Inc.	2.500%	9/26/18	500	503
	Citigroup Inc.	2.550%	4/8/19	1,800	1,817
	Citigroup Inc.	2.500%	7/29/19	965	973
	Citigroup Inc.	2.400%	2/18/20	800	803
	Citigroup Inc.	4.500%	1/14/22	1,975	2,119
	Citigroup Inc.	6.625%	6/15/32	2,000	2,493
	Citigroup Inc.	8.125%	7/15/39	101	155
	Compass Bank	2.750%	9/29/19	375	378
	Cooperatieve Rabobank UA	2.250%	1/14/19	1,350	1,358
3	Credit Agricole SA	2.500%	4/15/19	1,460	1,481
	Credit Suisse AG	1.750%	1/29/18	840	840
	Credit Suisse AG	2.300%	5/28/19	2,845	2,864
	Credit Suisse AG	3.000%	10/29/21	735	749
	Credit Suisse AG	3.625%	9/9/24	250	257
3	Credit Suisse Group AG	3.574%	1/9/23	550	563
	Credit Suisse Group Funding Guernsey Ltd.	3.800%	9/15/22	1,335	1,385
	Credit Suisse Group Funding Guernsey Ltd.	3.750%	3/26/25	1,595	1,606
3	Danske Bank A/S	2.000%	9/8/21	1,120	1,098
	Deutsche Bank AG	1.875%	2/13/18	195	195
	Deutsche Bank AG	2.500%	2/13/19	270	271
	Deutsche Bank AG	4.250%	10/14/21	1,215	1,274
	Fifth Third Bank	2.875%	10/1/21	425	432
	Fifth Third Bank	3.850%	3/15/26	830	845
	Goldman Sachs Group Inc.	5.950%	1/18/18	1,325	1,355
	Goldman Sachs Group Inc.	2.375%	1/22/18	555	557
	Goldman Sachs Group Inc.	5.375%	3/15/20	405	437
	Goldman Sachs Group Inc.	2.600%	4/23/20	170	172
	Goldman Sachs Group Inc.	6.000%	6/15/20	3,350	3,689
	Goldman Sachs Group Inc.	5.250%	7/27/21	865	948
	Goldman Sachs Group Inc.	5.750%	1/24/22	360	404
	Goldman Sachs Group Inc.	3.625%	1/22/23	1,980	2,034
	Goldman Sachs Group Inc.	3.500%	11/16/26	2,000	1,981
	Goldman Sachs Group Inc.	3.850%	1/26/27	740	751
	Goldman Sachs Group Inc.	6.750%	10/1/37	835	1,085
	Goldman Sachs Group Inc.	4.750%	10/21/45	680	751
3	HSBC Bank plc	4.750%	1/19/21	1,700	1,831
	HSBC Holdings plc	3.400%	3/8/21	1,535	1,578
	HSBC Holdings plc	4.000%	3/30/22	2,395	2,525
	HSBC Holdings plc	3.600%	5/25/23	1,600	1,651
1	HSBC Holdings plc	4.041%	3/13/28	890	921
	HSBC Holdings plc	6.500%	5/2/36	1,000	1,277
	HSBC Holdings plc	6.100%	1/14/42	375	488
	HSBC Holdings plc	5.250%	3/14/44	440	500
	HSBC USA Inc.	1.625%	1/16/18	1,005	1,005
	HSBC USA Inc.	2.350%	3/5/20	1,825	1,834
	HSBC USA Inc.	3.500%	6/23/24	620	637
	Huntington Bancshares Inc.	3.150%	3/14/21	800	813
	Huntington National Bank	2.200%	4/1/19	560	561
	Huntington National Bank	2.400%	4/1/20	1,160	1,166
3	ING Bank NV	1.800%	3/16/18	1,340	1,340
	ING Groep NV	3.150%	3/29/22	365	372
	ING Groep NV	3.950%	3/29/27	820	852
	JPMorgan Chase & Co.	6.300%	4/23/19	465	500
	JPMorgan Chase & Co.	4.950%	3/25/20	650	697
	JPMorgan Chase & Co.	4.350%	8/15/21	4,862	5,196
	JPMorgan Chase & Co.	4.500%	1/24/22	495	536
	JPMorgan Chase & Co.	3.250%	9/23/22	970	993
	JPMorgan Chase & Co.	3.375%	5/1/23	875	887
	JPMorgan Chase & Co.	3.875%	2/1/24	800	839
	JPMorgan Chase & Co.	3.900%	7/15/25	2,270	2,360
	JPMorgan Chase & Co.	4.125%	12/15/26	765	791
	JPMorgan Chase & Co.	4.250%	10/1/27	2,295	2,386
	JPMorgan Chase & Co.	5.400%	1/6/42	750	911
3	Macquarie Bank Ltd.	2.400%	1/21/20	330	331
	Manufacturers & Traders Trust Co.	2.100%	2/6/20	495	495
	Manufacturers & Traders Trust Co.	2.900%	2/6/25	685	679
	Morgan Stanley	1.875%	1/5/18	255	255
	Morgan Stanley	2.125%	4/25/18	1,375	1,379
	Morgan Stanley	2.500%	1/24/19	2,500	2,518
	Morgan Stanley	5.625%	9/23/19	645	692
	Morgan Stanley	5.750%	1/25/21	1,740	1,924
	Morgan Stanley	2.500%	4/21/21	1,175	1,169
	Morgan Stanley	2.625%	11/17/21	800	798
	Morgan Stanley	2.750%	5/19/22	1,710	1,706
	Morgan Stanley	3.700%	10/23/24	750	769
	Morgan Stanley	3.125%	7/27/26	1,345	1,303
	Morgan Stanley	6.250%	8/9/26	3,000	3,583
	Morgan Stanley	3.625%	1/20/27	1,250	1,254
	Morgan Stanley	4.300%	1/27/45	850	879
	National City Corp.	6.875%	5/15/19	1,000	1,083
3	Nationwide Building Society	2.350%	1/21/20	785	789
3	NBK SPC Ltd.	2.750%	5/30/22	1,530	1,517
	Northern Trust Corp.	3.450%	11/4/20	255	266
	PNC Bank NA	4.875%	9/21/17	1,500	1,510
	PNC Bank NA	3.300%	10/30/24	460	470
	PNC Bank NA	2.950%	2/23/25	1,105	1,101
	PNC Bank NA	4.200%	11/1/25	255	273
	PNC Financial Services Group Inc.	3.900%	4/29/24	580	607
	Royal Bank of Canada	2.750%	2/1/22	1,195	1,216
	Santander Holdings USA Inc.	2.700%	5/24/19	800	806
	Santander Holdings USA Inc.	2.650%	4/17/20	580	579
3	Santander Holdings USA Inc.	3.700%	3/28/22	725	730
3	Skandinaviska Enskilda Banken AB	2.450%	5/27/20	1,600	1,608
3	Societe Generale SA	3.250%	1/12/22	1,515	1,546
1	State Street Corp.	2.653%	5/15/23	840	841
	SunTrust Bank	3.300%	5/15/26	340	333
	Svenska Handelsbanken AB	1.875%	9/7/21	1,050	1,027
	Synchrony Financial	3.000%	8/15/19	1,055	1,068
	Synchrony Financial	2.700%	2/3/20	1,605	1,611
	Toronto-Dominion Bank	2.500%	12/14/20	985	996
	UBS AG	1.800%	3/26/18	1,020	1,021
3	UBS AG	2.200%	6/8/20	750	749
3	UBS Group Funding Jersey Ltd.	2.950%	9/24/20	1,160	1,184
3	UBS Group Funding Jersey Ltd.	2.650%	2/1/22	1,250	1,240
	US Bancorp	2.625%	1/24/22	1,305	1,317
	US Bancorp	3.700%	1/30/24	1,560	1,646
	Wachovia Corp.	7.500%	4/15/35	1,000	1,351
	Wells Fargo & Co.	5.625%	12/11/17	820	834
	Wells Fargo & Co.	2.150%	1/15/19	2,915	2,928
	Wells Fargo & Co.	3.000%	1/22/21	505	516
	Wells Fargo & Co.	3.500%	3/8/22	640	665
	Wells Fargo & Co.	3.450%	2/13/23	930	949
	Wells Fargo & Co.	4.480%	1/16/24	1,199	1,283
	Wells Fargo & Co.	3.000%	2/19/25	890	876
	Wells Fargo & Co.	3.550%	9/29/25	860	875
	Wells Fargo & Co.	3.000%	4/22/26	1,045	1,017
	Wells Fargo & Co.	3.000%	10/23/26	510	495
	Wells Fargo & Co.	5.606%	1/15/44	2,276	2,694
	Wells Fargo & Co.	4.900%	11/17/45	515	562
	Wells Fargo & Co.	4.750%	12/7/46	620	661
	Brokerage (0.0%)				
	Ameriprise Financial Inc.	5.300%	3/15/20	305	330
	Charles Schwab Corp.	3.200%	3/2/27	545	546

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Finance Companies (0.4%)				
	GE Capital International Funding Co.	2.342%	11/15/20	1,192	1,202
	GE Capital International Funding Co.	3.373%	11/15/25	3,460	3,578
	GE Capital International Funding Co.	4.418%	11/15/35	4,955	5,383
	Insurance (1.2%)				
	Aetna Inc.	2.800%	6/15/23	680	677
1,4	Allstate Corp.	3.117%	5/15/67	855	848
	Anthem Inc.	2.300%	7/15/18	375	377
	Anthem Inc.	3.125%	5/15/22	1,610	1,646
	Anthem Inc.	3.300%	1/15/23	1,100	1,128
	Anthem Inc.	4.650%	8/15/44	426	464
	Berkshire Hathaway Inc.	2.750%	3/15/23	1,050	1,064
	Berkshire Hathaway Inc.	3.125%	3/15/26	715	722
	Chubb INA Holdings Inc.	5.800%	3/15/18	1,295	1,333
	Chubb INA Holdings Inc.	2.300%	11/3/20	170	171
	Chubb INA Holdings Inc.	3.350%	5/15/24	555	575
	Chubb INA Holdings Inc.	4.350%	11/3/45	800	879
	Cigna Corp.	3.250%	4/15/25	880	882
	CNA Financial Corp.	3.950%	5/15/24	135	140
3	Five Corners Funding Trust	4.419%	11/15/23	210	225
3	Liberty Mutual Group Inc.	4.250%	6/15/23	360	384
	Loews Corp.	2.625%	5/15/23	440	436
1,3	Massachusetts Mutual Life Insurance Co.	7.625%	11/15/23	2,000	2,388
	MetLife Inc.	1.903%	12/15/17	225	225
	MetLife Inc.	3.600%	4/10/24	580	610
	MetLife Inc.	4.125%	8/13/42	145	148
	MetLife Inc.	4.875%	11/13/43	530	598
3	Metropolitan Life Global Funding I	1.500%	1/10/18	1,480	1,479
3	Metropolitan Life Global Funding I	1.875%	6/22/18	950	952
3	Metropolitan Life Global Funding I	2.650%	4/8/22	340	341
3	Metropolitan Life Global Funding I	3.450%	12/18/26	640	655
3	New York Life Global Funding	2.900%	1/17/24	810	817
3	New York Life Insurance Co.	5.875%	5/15/33	2,100	2,632
3	QBE Insurance Group Ltd.	2.400%	5/1/18	235	235
3	Teachers Insurance & Annuity Assn. of America	4.900%	9/15/44	375	420
3	Teachers Insurance & Annuity Assn. of America	4.270%	5/15/47	1,145	1,168
	UnitedHealth Group Inc.	6.000%	2/15/18	700	718
	UnitedHealth Group Inc.	3.875%	10/15/20	601	632
	UnitedHealth Group Inc.	2.875%	3/15/22	27	28
	UnitedHealth Group Inc.	2.875%	3/15/23	1,175	1,190
	UnitedHealth Group Inc.	3.100%	3/15/26	430	432
	UnitedHealth Group Inc.	4.625%	7/15/35	815	918
	UnitedHealth Group Inc.	4.250%	3/15/43	1,600	1,692
	UnitedHealth Group Inc.	4.750%	7/15/45	760	872
	Other Finance (0.0%)				
3	LeasePlan Corp. NV	2.875%	1/22/19	970	972
	Real Estate Investment Trusts (0.1%)				
	AvalonBay Communities Inc.	3.625%	10/1/20	520	538
	Boston Properties LP	3.125%	9/1/23	355	358
	Boston Properties LP	3.800%	2/1/24	45	47
	Realty Income Corp.	4.650%	8/1/23	640	689
	Simon Property Group LP	3.750%	2/1/24	90	94
	Simon Property Group LP	3.375%	10/1/24	275	279
3	WEA Finance LLC / Westfield UK & Europe Finance plc	1.750%	9/15/17	375	375
3	WEA Finance LLC / Westfield UK & Europe Finance plc	2.700%	9/17/19	1,330	1,337
					227,131
	Industrial (11.0%)				
	Basic Industry (0.0%)				
	BHP Billiton Finance USA Ltd.	3.850%	9/30/23	750	797
	LyondellBasell Industries NV	4.625%	2/26/55	300	295
	Capital Goods (0.8%)				
3	BAE Systems Holdings Inc.	2.850%	12/15/20	160	161
3	BAE Systems Holdings Inc.	3.850%	12/15/25	1,085	1,128
	Caterpillar Financial Services Corp.	2.625%	3/1/23	1,360	1,358
	Caterpillar Inc.	3.900%	5/27/21	1,170	1,243
	Caterpillar Inc.	2.600%	6/26/22	705	711
	Caterpillar Inc.	3.400%	5/15/24	810	844
	Caterpillar Inc.	4.300%	5/15/44	745	807
	General Dynamics Corp.	3.875%	7/15/21	355	377
	General Electric Capital Corp.	4.625%	1/7/21	321	350
	General Electric Capital Corp.	5.300%	2/11/21	228	252
	General Electric Capital Corp.	3.150%	9/7/22	967	1,005
	General Electric Capital Corp.	3.100%	1/9/23	360	373
	General Electric Co.	2.700%	10/9/22	210	213
	General Electric Co.	4.500%	3/11/44	1,050	1,165
	Honeywell International Inc.	4.250%	3/1/21	1,002	1,077
	Illinois Tool Works Inc.	3.500%	3/1/24	1,295	1,355
	John Deere Capital Corp.	2.250%	4/17/19	1,465	1,478
	John Deere Capital Corp.	1.700%	1/15/20	520	517
	Lockheed Martin Corp.	2.900%	3/1/25	610	607
	Lockheed Martin Corp.	4.500%	5/15/36	211	232
	Lockheed Martin Corp.	4.700%	5/15/46	520	583
	Parker-Hannifin Corp.	4.450%	11/21/44	450	494
3	Siemens Financieringsmaatschappij NV	2.900%	5/27/22	1,050	1,072
3	Siemens Financieringsmaatschappij NV	3.125%	3/16/24	1,680	1,706
3	Siemens Financieringsmaatschappij NV	4.400%	5/27/45	800	867
	United Technologies Corp.	3.100%	6/1/22	535	552
	United Technologies Corp.	7.500%	9/15/29	770	1,088
	United Technologies Corp.	6.050%	6/1/36	675	870
	United Technologies Corp.	4.500%	6/1/42	325	355
	Communication (1.6%)				
	21st Century Fox America Inc.	3.000%	9/15/22	245	249
	America Movil SAB de CV	3.125%	7/16/22	1,880	1,918
	America Movil SAB de CV	6.125%	3/30/40	390	476
	American Tower Corp.	3.450%	9/15/21	1,125	1,160
	American Tower Corp.	5.000%	2/15/24	220	243
	AT&T Inc.	1.400%	12/1/17	1,090	1,091
	AT&T Inc.	5.600%	5/15/18	1,000	1,033
	AT&T Inc.	5.200%	3/15/20	255	274
	AT&T Inc.	2.450%	6/30/20	225	226
	AT&T Inc.	4.600%	2/15/21	100	107
	AT&T Inc.	4.500%	3/9/48	602	567
	CBS Corp.	4.300%	2/15/21	675	712
	Comcast Corp.	3.600%	3/1/24	2,900	3,040
	Comcast Corp.	3.375%	2/15/25	70	72
	Comcast Corp.	2.350%	1/15/27	540	506
	Comcast Corp.	4.250%	1/15/33	1,032	1,101
	Comcast Corp.	4.200%	8/15/34	620	656
	Comcast Corp.	5.650%	6/15/35	110	135
	Comcast Corp.	4.400%	8/15/35	700	760
	Comcast Corp.	6.500%	11/15/35	115	152
	Comcast Corp.	6.400%	5/15/38	120	160
	Comcast Corp.	4.650%	7/15/42	1,290	1,415
	Comcast Corp.	4.500%	1/15/43	500	531
	Comcast Corp.	4.750%	3/1/44	525	584
	Comcast Corp.	4.600%	8/15/45	1,110	1,209
3	Cox Communications Inc.	4.800%	2/1/35	1,540	1,507
3	Cox Communications Inc.	6.450%	12/1/36	45	50
3	Deutsche Telekom International Finance BV	3.600%	1/19/27	975	995
	Discovery Communications LLC	5.625%	8/15/19	49	52
	Grupo Televisa SAB	6.625%	1/15/40	630	728
	Grupo Televisa SAB	6.125%	1/31/46	410	459
3	GTP Acquisition Partners I LLC	2.350%	6/15/20	580	576
3	NBCUniversal Enterprise Inc.	1.974%	4/15/19	2,530	2,538
	NBCUniversal Media LLC	4.375%	4/1/21	600	647
	NBCUniversal Media LLC	2.875%	1/15/23	240	244
	Omnicom Group Inc.	3.600%	4/15/26	660	664

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Orange SA	4.125%	9/14/21	1,740	1,851
	Orange SA	9.000%	3/1/31	530	799
3	SBA Tower Trust	3.168%	4/15/22	1,330	1,332
3	Sky plc	2.625%	9/16/19	975	981
3	Sky plc	3.750%	9/16/24	1,435	1,477
	Time Warner Cable LLC	8.750%	2/14/19	25	28
	Time Warner Cable LLC	8.250%	4/1/19	364	401
	Time Warner Entertainment Co. LP	8.375%	3/15/23	95	119
	Time Warner Inc.	4.875%	3/15/20	700	747
	Time Warner Inc.	4.750%	3/29/21	350	377
	Verizon Communications Inc.	4.500%	9/15/20	1,280	1,366
	Verizon Communications Inc.	3.500%	11/1/21	1,040	1,076
3	Verizon Communications Inc.	4.812%	3/15/39	2,406	2,435
	Verizon Communications Inc.	4.750%	11/1/41	290	288
	Verizon Communications Inc.	4.862%	8/21/46	1,151	1,153
3	Verizon Communications Inc.	5.012%	4/15/49	1,133	1,142
	Walt Disney Co.	4.125%	6/1/44	560	587
	Consumer Cyclical (1.5%)				
	Alibaba Group Holding Ltd.	3.600%	11/28/24	1,065	1,098
	Amazon.com Inc.	2.500%	11/29/22	885	892
	Amazon.com Inc.	4.800%	12/5/34	995	1,147
	Amazon.com Inc.	4.950%	12/5/44	580	685
3	American Honda Finance Corp.	1.500%	9/11/17	490	490
3	American Honda Finance Corp.	1.600%	2/16/18	810	811
	American Honda Finance Corp.	2.125%	10/10/18	1,110	1,117
	AutoZone Inc.	3.700%	4/15/22	1,371	1,425
	AutoZone Inc.	3.125%	7/15/23	600	603
	AutoZone Inc.	3.750%	6/1/27	545	546
3	BMW US Capital LLC	2.000%	4/11/21	585	580
3	BMW US Capital LLC	2.250%	9/15/23	2,500	2,408
3	BMW US Capital LLC	2.800%	4/11/26	151	147
	CVS Health Corp.	2.750%	12/1/22	965	966
	CVS Health Corp.	4.875%	7/20/35	315	351
	CVS Health Corp.	5.125%	7/20/45	1,310	1,501
3	Daimler Finance North America LLC	2.375%	8/1/18	900	905
3	Daimler Finance North America LLC	2.250%	7/31/19	1,575	1,579
3	Daimler Finance North America LLC	2.200%	5/5/20	470	469
3	Daimler Finance North America LLC	3.250%	8/1/24	160	161
	Ford Motor Co.	4.346%	12/8/26	1,225	1,262
	Ford Motor Credit Co. LLC	2.375%	3/12/19	900	903
	Ford Motor Credit Co. LLC	3.157%	8/4/20	710	723
	General Motors Financial Co. Inc.	3.950%	4/13/24	1,700	1,722
	Home Depot Inc.	2.250%	9/10/18	975	983
	Home Depot Inc.	2.700%	4/1/23	720	730
	Home Depot Inc.	4.400%	3/15/45	780	851
3	Hyundai Capital America	2.550%	4/3/20	790	788
	Lowe's Cos. Inc.	3.100%	5/3/27	1,300	1,296
	Lowe's Cos. Inc.	6.500%	3/15/29	334	435
	McDonald's Corp.	2.625%	1/15/22	195	196
	McDonald's Corp.	3.250%	6/10/24	140	144
	McDonald's Corp.	4.875%	12/9/45	260	289
3	Nissan Motor Acceptance Corp.	1.950%	9/12/17	1,186	1,186
3	Nissan Motor Acceptance Corp.	1.800%	3/15/18	1,100	1,100
3	Nissan Motor Acceptance Corp.	2.650%	9/26/18	585	591
	Toyota Motor Credit Corp.	1.250%	10/5/17	900	900
3	Volkswagen Group of America Finance LLC	2.450%	11/20/19	440	442
	Wal-Mart Stores Inc.	3.250%	10/25/20	742	772
	Wal-Mart Stores Inc.	4.250%	4/15/21	1,000	1,078
	Wal-Mart Stores Inc.	2.550%	4/11/23	1,250	1,257
	Wal-Mart Stores Inc.	5.625%	4/15/41	2,790	3,612
	Wal-Mart Stores Inc.	4.300%	4/22/44	525	583
	Consumer Noncyclical (3.8%)				
	Actavis Funding SCS	3.000%	3/12/20	985	1,003
	Actavis Funding SCS	3.450%	3/15/22	950	977
	Allergan Funding SCS	4.550%	3/15/35	375	401
	Allergan Funding SCS	4.850%	6/15/44	450	490
	Altria Group Inc.	4.750%	5/5/21	590	643
	Altria Group Inc.	2.850%	8/9/22	455	461
	Altria Group Inc.	4.500%	5/2/43	245	261
	AmerisourceBergen Corp.	3.500%	11/15/21	1,310	1,359
	Amgen Inc.	3.875%	11/15/21	310	327
	Amgen Inc.	5.150%	11/15/41	945	1,054
	Amgen Inc.	4.563%	6/15/48	125	131
	Anheuser-Busch InBev Finance Inc.	3.300%	2/1/23	2,000	2,058
	Anheuser-Busch InBev Finance Inc.	3.650%	2/1/26	1,805	1,860
	Anheuser-Busch InBev Finance Inc.	4.700%	2/1/36	3,990	4,374
	Anheuser-Busch InBev Finance Inc.	4.900%	2/1/46	2,640	2,992
	Anheuser-Busch InBev Worldwide Inc.	3.750%	1/15/22	400	422
	Anheuser-Busch InBev Worldwide Inc.	2.500%	7/15/22	3,780	3,775
	Anheuser-Busch InBev Worldwide Inc.	3.750%	7/15/42	520	504
	Ascension Health	3.945%	11/15/46	725	735
1	Ascension Health	4.847%	11/15/53	55	62
	AstraZeneca plc	1.950%	9/18/19	390	390
	AstraZeneca plc	2.375%	11/16/20	1,180	1,188
	AstraZeneca plc	6.450%	9/15/37	615	830
	AstraZeneca plc	4.375%	11/16/45	800	860
3	BAT International Finance plc	2.750%	6/15/20	550	558
3	BAT International Finance plc	3.250%	6/7/22	1,480	1,507
3	BAT International Finance plc	3.500%	6/15/22	235	242
3	Bayer US Finance LLC	2.375%	10/8/19	200	202
3	Bayer US Finance LLC	3.000%	10/8/21	1,980	2,024
	Biogen Inc.	2.900%	9/15/20	550	561
	Boston Children's Hospital Corp. Revenue	4.115%	1/1/47	330	350
	Cardinal Health Inc.	1.700%	3/15/18	75	75
	Cardinal Health Inc.	2.400%	11/15/19	625	629
	Cardinal Health Inc.	3.200%	3/15/23	1,065	1,087
	Cardinal Health Inc.	3.079%	6/15/24	320	321
	Cardinal Health Inc.	3.500%	11/15/24	580	593
	Cardinal Health Inc.	4.500%	11/15/44	665	686
3	Cargill Inc.	4.307%	5/14/21	2,092	2,238
3	Cargill Inc.	6.875%	5/1/28	645	813
3	Cargill Inc.	4.760%	11/23/45	635	726
	Catholic Health Initiatives Colorado GO	1.600%	11/1/17	55	55
	Catholic Health Initiatives Colorado GO	2.600%	8/1/18	255	256
	Catholic Health Initiatives Colorado GO	2.950%	11/1/22	507	496
	Catholic Health Initiatives Colorado GO	4.200%	8/1/23	145	148
1	Catholic Health Initiatives Colorado GO	4.350%	11/1/42	736	676
	Celgene Corp.	2.250%	5/15/19	160	161
	Celgene Corp.	3.550%	8/15/22	475	494
	Coca-Cola Co.	3.300%	9/1/21	300	314
	Coca-Cola Enterprises Inc.	3.500%	9/15/20	500	519
	Coca-Cola Femsa SAB de CV	2.375%	11/26/18	768	770
	Coca-Cola Femsa SAB de CV	3.875%	11/26/23	850	892
	Colgate-Palmolive Co.	7.600%	5/19/25	480	619
	Constellation Brands Inc.	2.700%	5/9/22	65	65
	Diageo Capital plc	2.625%	4/29/23	1,230	1,236
	Diageo Investment Corp.	2.875%	5/11/22	525	537
	Dignity Health California GO	2.637%	11/1/19	140	142
	Dignity Health California GO	3.812%	11/1/24	300	305
	Eli Lilly & Co.	3.700%	3/1/45	635	627
3	EMD Finance LLC	2.950%	3/19/22	605	615
3	EMD Finance LLC	3.250%	3/19/25	1,200	1,205
3	Forest Laboratories Inc.	4.875%	2/15/21	268	289
	Gilead Sciences Inc.	2.550%	9/1/20	615	623
	Gilead Sciences Inc.	3.700%	4/1/24	1,010	1,053
	Gilead Sciences Inc.	3.500%	2/1/25	560	574
	Gilead Sciences Inc.	4.500%	2/1/45	825	873
	Gilead Sciences Inc.	4.750%	3/1/46	195	213
	GlaxoSmithKline Capital Inc.	2.800%	3/18/23	385	389
	GlaxoSmithKline Capital Inc.	5.375%	4/15/34	2,000	2,382
3	Imperial Tobacco Finance plc	3.750%	7/21/22	1,680	1,747
3	Japan Tobacco Inc.	2.100%	7/23/18	545	546
	Kaiser Foundation Hospitals	3.500%	4/1/22	560	585
	Kaiser Foundation Hospitals	3.150%	5/1/27	490	491

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Kaiser Foundation Hospitals	4.875%	4/1/42	365	418
	Kraft Heinz Foods Co.	3.000%	6/1/26	530	506
	Kraft Heinz Foods Co.	5.000%	7/15/35	230	248
	Kraft Heinz Foods Co.	4.375%	6/1/46	1,110	1,080
	Kroger Co.	4.450%	2/1/47	290	279
	McKesson Corp.	2.700%	12/15/22	195	193
	McKesson Corp.	2.850%	3/15/23	190	189
	McKesson Corp.	3.796%	3/15/24	305	318
	McKesson Corp.	4.883%	3/15/44	718	786
	Medtronic Inc.	1.375%	4/1/18	225	225
	Medtronic Inc.	2.500%	3/15/20	935	949
	Medtronic Inc.	3.150%	3/15/22	1,690	1,749
	Medtronic Inc.	3.625%	3/15/24	270	284
	Medtronic Inc.	3.500%	3/15/25	2,196	2,279
	Medtronic Inc.	4.375%	3/15/35	249	273
	Memorial Sloan-Kettering Cancer Center New York GO	4.125%	7/1/52	310	315
	Memorial Sloan-Kettering Cancer Center New York GO	4.200%	7/1/55	405	418
	Merck & Co. Inc.	2.350%	2/10/22	790	795
	Merck & Co. Inc.	2.800%	5/18/23	1,175	1,197
	Merck & Co. Inc.	2.750%	2/10/25	1,210	1,203
	Merck & Co. Inc.	4.150%	5/18/43	760	811
	Molson Coors Brewing Co.	3.500%	5/1/22	690	715
	Molson Coors Brewing Co.	5.000%	5/1/42	160	177
	New York & Presbyterian Hospital	4.024%	8/1/45	735	750
	Novartis Capital Corp.	3.400%	5/6/24	415	433
	Novartis Capital Corp.	4.400%	5/6/44	640	709
	Partners Healthcare System Massachusetts GO	3.443%	7/1/21	50	51
	PepsiCo Inc.	3.125%	11/1/20	330	343
	PepsiCo Inc.	2.750%	3/5/22	670	684
	PepsiCo Inc.	2.375%	10/6/26	1,945	1,852
	PepsiCo Inc.	4.000%	3/5/42	845	863
	PepsiCo Inc.	3.450%	10/6/46	1,215	1,144
	Pfizer Inc.	3.000%	6/15/23	755	779
	Pfizer Inc.	3.000%	12/15/26	1,200	1,201
	Philip Morris International Inc.	4.500%	3/26/20	250	267
	Philip Morris International Inc.	4.125%	5/17/21	1,025	1,092
	Philip Morris International Inc.	2.500%	8/22/22	575	574
	Philip Morris International Inc.	2.625%	3/6/23	1,150	1,144
	Philip Morris International Inc.	3.375%	8/11/25	424	434
	Philip Morris International Inc.	4.875%	11/15/43	145	162
1	Procter & Gamble - Esop	9.360%	1/1/21	833	957
	Providence St. Joseph Health Obligated Group	2.746%	10/1/26	490	470
3	Roche Holdings Inc.	2.875%	9/29/21	850	869
3	Roche Holdings Inc.	2.375%	1/28/27	1,650	1,566
	Sanofi	4.000%	3/29/21	1,130	1,201
3	Sigma Alimentos SA de CV	4.125%	5/2/26	510	517
	SSM Health Care Corp.	3.823%	6/1/27	1,170	1,197
	Teva Pharmaceutical Finance Netherlands III BV	2.800%	7/21/23	980	953
	Teva Pharmaceutical Finance Netherlands III BV	3.150%	10/1/26	240	228
	Teva Pharmaceutical Finance Netherlands III BV	4.100%	10/1/46	865	793
	The Kroger Co.	3.850%	8/1/23	270	281
	The Kroger Co.	4.000%	2/1/24	540	559
	The Kroger Co.	3.875%	10/15/46	785	691
	The Pepsi Bottling Group Inc.	7.000%	3/1/29	500	678
	Unilever Capital Corp.	4.250%	2/10/21	2,805	2,999
	Energy (1.5%)				
3	BG Energy Capital plc	4.000%	10/15/21	555	588
	BP Capital Markets plc	4.750%	3/10/19	795	833
	BP Capital Markets plc	2.315%	2/13/20	160	161
	BP Capital Markets plc	4.500%	10/1/20	400	430
	BP Capital Markets plc	3.062%	3/17/22	1,100	1,123
	BP Capital Markets plc	3.245%	5/6/22	650	669
	BP Capital Markets plc	2.500%	11/6/22	500	495
	BP Capital Markets plc	3.994%	9/26/23	420	445
	BP Capital Markets plc	3.814%	2/10/24	1,700	1,774
	BP Capital Markets plc	3.506%	3/17/25	1,280	1,308
	Chevron Corp.	3.191%	6/24/23	1,235	1,275
	ConocoPhillips	5.200%	5/15/18	1,500	1,542
	ConocoPhillips	5.750%	2/1/19	50	53
	ConocoPhillips Co.	4.200%	3/15/21	365	388
	ConocoPhillips Co.	2.875%	11/15/21	321	325
	ConocoPhillips Co.	3.350%	11/15/24	1,040	1,060
	ConocoPhillips Co.	3.350%	5/15/25	245	249
	ConocoPhillips Co.	4.950%	3/15/26	115	128
	ConocoPhillips Co.	4.300%	11/15/44	1,570	1,600
	Devon Energy Corp.	3.250%	5/15/22	495	492
	Dominion Energy Gas Holdings LLC	3.550%	11/1/23	470	481
	EOG Resources Inc.	5.625%	6/1/19	425	453
	Exxon Mobil Corp.	2.222%	3/1/21	380	382
	Exxon Mobil Corp.	2.726%	3/1/23	320	323
	Exxon Mobil Corp.	3.043%	3/1/26	225	227
	Exxon Mobil Corp.	4.114%	3/1/46	320	337
	Halliburton Co.	3.500%	8/1/23	1,980	2,036
	Noble Energy Inc.	4.150%	12/15/21	425	448
	Occidental Petroleum Corp.	4.100%	2/1/21	1,120	1,193
	Occidental Petroleum Corp.	2.700%	2/15/23	250	250
	Occidental Petroleum Corp.	3.400%	4/15/26	790	796
	Occidental Petroleum Corp.	4.400%	4/15/46	335	349
	Phillips 66	4.875%	11/15/44	280	300
3	Schlumberger Holdings Corp.	3.000%	12/21/20	800	814
3	Schlumberger Investment SA	2.400%	8/1/22	630	623
	Schlumberger Investment SA	3.650%	12/1/23	1,120	1,173
	Shell International Finance BV	4.375%	3/25/20	800	850
	Shell International Finance BV	2.250%	11/10/20	1,600	1,603
	Shell International Finance BV	4.125%	5/11/35	930	966
	Shell International Finance BV	5.500%	3/25/40	345	420
	Shell International Finance BV	4.375%	5/11/45	2,500	2,604
	Suncor Energy Inc.	5.950%	12/1/34	500	601
	Sunoco Logistics Partners Operations LP	4.400%	4/1/21	1,225	1,287
	Total Capital International SA	2.700%	1/25/23	885	890
	Total Capital International SA	3.750%	4/10/24	1,400	1,474
	Total Capital SA	2.125%	8/10/18	850	855
	TransCanada PipeLines Ltd.	3.800%	10/1/20	1,220	1,282
	TransCanada PipeLines Ltd.	4.875%	1/15/26	1,255	1,404
1	TransCanada Trust	5.300%	3/15/77	635	648
	Other Industrial (0.0%)				
1	Johns Hopkins University Maryland GO	4.083%	7/1/53	690	738
	Technology (1.4%)				
	Apple Inc.	2.850%	5/6/21	1,100	1,131
	Apple Inc.	3.000%	2/9/24	620	628
	Apple Inc.	3.450%	5/6/24	1,000	1,039
	Apple Inc.	2.850%	5/11/24	1,225	1,229
	Apple Inc.	3.250%	2/23/26	1,020	1,035
	Apple Inc.	2.450%	8/4/26	1,170	1,121
	Apple Inc.	3.350%	2/9/27	1,545	1,581
	Apple Inc.	3.200%	5/11/27	1,065	1,078
	Apple Inc.	3.850%	5/4/43	430	431
	Apple Inc.	4.450%	5/6/44	120	131
	Apple Inc.	3.850%	8/4/46	985	986
	Applied Materials Inc.	3.300%	4/1/27	875	888
3	Broadcom Corp. / Broadcom Cayman Finance Ltd.	3.625%	1/15/24	760	779
	Cisco Systems Inc.	4.450%	1/15/20	605	644
	Cisco Systems Inc.	2.900%	3/4/21	320	328
	Cisco Systems Inc.	2.500%	9/20/26	431	414
	Intel Corp.	2.875%	5/11/24	800	803

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Intel Corp.	4.100%	5/19/46	1,360	1,409
	International Business Machines Corp.	3.375%	8/1/23	1,750	1,816
	International Business Machines Corp.	5.875%	11/29/32	1,010	1,277
	Microsoft Corp.	2.375%	2/12/22	635	639
	Microsoft Corp.	3.625%	12/15/23	500	530
	Microsoft Corp.	2.875%	2/6/24	1,385	1,407
	Microsoft Corp.	2.700%	2/12/25	760	756
	Microsoft Corp.	3.125%	11/3/25	845	861
	Microsoft Corp.	2.400%	8/8/26	1,890	1,816
	Microsoft Corp.	3.500%	2/12/35	605	610
	Microsoft Corp.	3.450%	8/8/36	1,725	1,729
	Microsoft Corp.	4.100%	2/6/37	1,225	1,317
	Microsoft Corp.	4.450%	11/3/45	380	421
	Microsoft Corp.	3.700%	8/8/46	1,615	1,592
	Microsoft Corp.	4.250%	2/6/47	2,500	2,716
	Oracle Corp.	2.800%	7/8/21	375	384
	Oracle Corp.	2.500%	5/15/22	1,210	1,221
	Oracle Corp.	2.950%	5/15/25	355	356
	QUALCOMM Inc.	2.600%	1/30/23	705	702
	QUALCOMM Inc.	2.900%	5/20/24	850	848
	QUALCOMM Inc.	3.250%	5/20/27	885	887
	Transportation (0.4%)				
	Burlington Northern Santa Fe LLC	3.000%	3/15/23	565	579
	Burlington Northern Santa Fe LLC	3.850%	9/1/23	1,630	1,746
	Burlington Northern Santa Fe LLC	3.250%	6/15/27	335	342
1	Continental Airlines 2007-1 Class A Pass Through Trust	5.983%	10/19/23	692	764
3	ERAC USA Finance LLC	2.350%	10/15/19	610	611
3	ERAC USA Finance LLC	4.500%	8/16/21	325	348
3	ERAC USA Finance LLC	3.300%	10/15/22	40	41
3	ERAC USA Finance LLC	7.000%	10/15/37	1,150	1,486
1	Federal Express Corp. 1998 Pass Through Trust	6.720%	1/15/22	794	869
	FedEx Corp.	2.700%	4/15/23	255	253
	FedEx Corp.	4.900%	1/15/34	230	256
	FedEx Corp.	3.875%	8/1/42	120	113
	FedEx Corp.	4.100%	4/15/43	500	490
	FedEx Corp.	5.100%	1/15/44	340	380
	FedEx Corp.	4.550%	4/1/46	415	435
	Kansas City Southern	4.950%	8/15/45	905	975
1	Southwest Airlines Co. 2007-1 Pass Through Trust	6.150%	2/1/24	357	392
	United Parcel Service Inc.	2.450%	10/1/22	425	429
	United Parcel Service Inc.	4.875%	11/15/40	460	541
					297,501
	Utilities (2.2%)				
	Electric (2.0%)				
	Alabama Power Co.	3.750%	3/1/45	630	619
	Ameren Illinois Co.	6.125%	12/15/28	1,000	1,201
	Berkshire Hathaway Energy Co.	6.125%	4/1/36	1,190	1,530
	Berkshire Hathaway Energy Co.	6.500%	9/15/37	575	771
	Commonwealth Edison Co.	4.350%	11/15/45	220	238
	Connecticut Light & Power Co.	5.650%	5/1/18	465	480
	Consolidated Edison Co. of New York Inc.	4.500%	12/1/45	980	1,086
	Consolidated Edison Co. of New York Inc.	4.625%	12/1/54	1,365	1,512
	Delmarva Power & Light Co.	3.500%	11/15/23	305	315
4	Dominion Energy Inc.	2.962%	7/1/19	495	502
	Dominion Energy Inc.	2.579%	7/1/20	640	643
	Dominion Energy Inc.	3.625%	12/1/24	1,515	1,547
	Dominion Resources Inc.	5.200%	8/15/19	750	798
	DTE Energy Co.	3.800%	3/15/27	250	256
	Duke Energy Carolinas LLC	5.250%	1/15/18	275	280
	Duke Energy Carolinas LLC	5.100%	4/15/18	590	605
	Duke Energy Carolinas LLC	3.900%	6/15/21	1,090	1,155
	Duke Energy Carolinas LLC	6.100%	6/1/37	391	505

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Duke Energy Corp.	2.650%	9/1/26	315	299
	Duke Energy Corp.	4.800%	12/15/45	1,200	1,320
	Duke Energy Corp.	3.750%	9/1/46	265	252
	Duke Energy Florida LLC	6.350%	9/15/37	200	268
	Duke Energy Progress LLC	6.300%	4/1/38	365	489
	Duke Energy Progress LLC	4.200%	8/15/45	845	894
	Entergy Louisiana LLC	3.120%	9/1/27	410	408
	Eversource Energy	4.500%	11/15/19	90	95
	Eversource Energy	3.150%	1/15/25	110	110
	Florida Power & Light Co.	5.650%	2/1/35	1,000	1,240
	Florida Power & Light Co.	4.950%	6/1/35	1,000	1,161
	Florida Power & Light Co.	5.950%	2/1/38	785	1,023
3	Fortis Inc.	3.055%	10/4/26	1,195	1,153
	Georgia Power Co.	5.400%	6/1/18	1,165	1,203
	Georgia Power Co.	3.250%	3/30/27	850	847
	Georgia Power Co.	5.950%	2/1/39	218	270
	Georgia Power Co.	5.400%	6/1/40	1,163	1,361
	Georgia Power Co.	4.750%	9/1/40	168	181
	Georgia Power Co.	4.300%	3/15/42	950	977
	Great Plains Energy Inc.	3.150%	4/1/22	325	328
	Great Plains Energy Inc.	3.900%	4/1/27	270	274
3	Massachusetts Electric Co.	5.900%	11/15/39	585	732
	National Rural Utilities Cooperative Finance Corp.	5.450%	2/1/18	1,500	1,532
	National Rural Utilities Cooperative Finance Corp.	2.950%	2/7/24	415	419
	National Rural Utilities Cooperative Finance Corp.	2.850%	1/27/25	1,040	1,029
	NextEra Energy Capital Holdings Inc.	3.550%	5/1/27	880	893
	Northern States Power Co.	6.250%	6/1/36	2,000	2,640
	Oglethorpe Power Corp.	5.950%	11/1/39	170	206
	Oglethorpe Power Corp.	4.250%	4/1/46	150	141
	Oglethorpe Power Corp.	5.250%	9/1/50	175	191
	Pacific Gas & Electric Co.	4.250%	5/15/21	300	319
	Pacific Gas & Electric Co.	3.850%	11/15/23	450	475
	Pacific Gas & Electric Co.	3.750%	2/15/24	305	320
	Pacific Gas & Electric Co.	5.125%	11/15/43	285	339
	PacifiCorp	6.250%	10/15/37	2,000	2,647
	PECO Energy Co.	5.350%	3/1/18	565	579
	Potomac Electric Power Co.	6.500%	11/15/37	750	1,018
	Public Service Electric & Gas Co.	5.300%	5/1/18	1,900	1,960
	San Diego Gas & Electric Co.	6.000%	6/1/26	600	726
	Sierra Pacific Power Co.	3.375%	8/15/23	850	867
	South Carolina Electric & Gas Co.	6.050%	1/15/38	1,260	1,562
	South Carolina Electric & Gas Co.	5.450%	2/1/41	35	41
	South Carolina Electric & Gas Co.	4.350%	2/1/42	165	168
	South Carolina Electric & Gas Co.	4.600%	6/15/43	60	63
	South Carolina Electric & Gas Co.	4.100%	6/15/46	525	517
	South Carolina Electric & Gas Co.	5.100%	6/1/65	715	791
	Southern California Edison Co.	2.400%	2/1/22	170	170
	Southern California Edison Co.	6.000%	1/15/34	1,000	1,269
	Southern California Edison Co.	5.550%	1/15/37	2,250	2,774
	Southern California Edison Co.	3.600%	2/1/45	141	137
	Southern Co.	2.450%	9/1/18	225	226
	Southern Co.	2.950%	7/1/23	1,280	1,272
	Virginia Electric & Power Co.	2.750%	3/15/23	690	688
	Virginia Electric & Power Co.	3.500%	3/15/27	435	447
	Wisconsin Electric Power Co.	5.700%	12/1/36	690	859
	Natural Gas (0.2%)				
3	KeySpan Gas East Corp.	2.742%	8/15/26	670	647
	Nisource Finance Corp.	5.250%	2/15/43	390	448
	NiSource Finance Corp.	4.800%	2/15/44	1,355	1,481
	Sempra Energy	2.875%	10/1/22	750	752
	Sempra Energy	3.250%	6/15/27	1,095	1,077
	Southern California Gas Co.	2.600%	6/15/26	820	792
					61,410
	Total Corporate Bonds (Cost $560,845)				586,042

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Sovereign Bonds (1.8%)				
[3] CDP Financial Inc.	4.400%	11/25/19	1,000	1,057
[5] City of Toronto	5.050%	7/18/17	1,000	772
[3] Electricite de France SA	4.600%	1/27/20	1,200	1,271
[3] Electricite de France SA	4.875%	1/22/44	50	53
[3] Electricite de France SA	4.950%	10/13/45	400	429
Export-Import Bank of Korea	1.750%	5/26/19	2,000	1,984
International Bank for Reconstruction & Development	4.750%	2/15/35	2,000	2,508
[6] Japan	0.000%	9/11/17	250,000	2,223
[7] Japan Bank for International Cooperation	2.250%	2/24/20	1,190	1,190
[7] Japan Bank for International Cooperation	2.125%	6/1/20	882	880
[6] Japan Treasury Discount Bill	0.000%	8/7/17	250,000	2,223
[6] Japan Treasury Discount Bill	0.000%	8/14/17	250,000	2,223
[6] Japan Treasury Discount Bill	0.000%	8/21/17	250,000	2,220
[6] Japan Treasury Discount Bill	0.000%	8/28/17	250,000	2,219
[6] Japan Treasury Discount Bill	0.000%	9/4/17	250,000	2,223
[3] Kingdom of Saudi Arabia	2.375%	10/26/21	850	835
Korea Development Bank	2.875%	8/22/18	505	510
Korea Development Bank	2.500%	3/11/20	2,000	2,001
Petroleos Mexicanos	5.500%	2/4/19	330	345
Province of Ontario	2.500%	4/27/26	2,150	2,118
Province of Quebec	2.500%	4/20/26	3,820	3,752
[3] Sinopec Group Overseas Development 2015 Ltd.	2.500%	4/28/20	1,615	1,620
[3] Sinopec Group Overseas Development 2015 Ltd.	3.250%	4/28/25	1,615	1,588
[3] Sinopec Group Overseas Development 2017 Ltd.	3.000%	4/12/22	850	856
[3] State Grid Overseas Investment 2014 Ltd.	2.750%	5/7/19	1,305	1,317
[3] State Grid Overseas Investment 2016 Ltd.	2.750%	5/4/22	1,550	1,542
[3] State Grid Overseas Investment 2016 Ltd.	3.500%	5/4/27	775	773
[3] State of Qatar	2.375%	6/2/21	405	394
Statoil ASA	2.250%	11/8/19	580	583
Statoil ASA	2.900%	11/8/20	1,410	1,440
Statoil ASA	2.750%	11/10/21	850	861
Statoil ASA	2.450%	1/17/23	382	377
Statoil ASA	2.650%	1/15/24	360	355
Statoil ASA	3.700%	3/1/24	640	672
Statoil ASA	3.250%	11/10/24	795	810
[3] Temasek Financial I Ltd.	2.375%	1/23/23	1,130	1,115
United Mexican States	3.500%	1/21/21	342	356
United Mexican States	4.150%	3/28/27	1,021	1,058
United Mexican States	4.750%	3/8/44	170	170
Total Sovereign Bonds (Cost $48,245)				**48,923**
Taxable Municipal Bonds (1.9%)				
Atlanta GA Downtown Development Authority Revenue	6.875%	2/1/21	245	275
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.263%	4/1/49	685	979
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	7.043%	4/1/50	1,025	1,568
California GO	5.700%	11/1/21	265	302
California GO	7.500%	4/1/34	155	225
California GO	7.550%	4/1/39	1,170	1,785
California GO	7.300%	10/1/39	300	439
California GO	7.350%	11/1/39	2,000	2,935
California GO	7.625%	3/1/40	90	137
California GO	7.600%	11/1/40	920	1,433
Chicago IL Metropolitan Water Reclamation District GO	5.720%	12/1/38	215	263

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Chicago IL O’Hare International Airport Revenue	6.845%	1/1/38	530	584
Chicago IL O’Hare International Airport Revenue	6.395%	1/1/40	425	574
Chicago IL Transit Authority Transfer Tax Receipts Revenue	6.899%	12/1/40	1,560	1,984
Chicago Transit Authority	6.899%	12/1/40	695	884
Dallas TX Area Rapid Transit Revenue	5.999%	12/1/44	750	1,003
Georgia Municipal Electric Power Authority Revenue	6.637%	4/1/57	1,396	1,714
Grand Parkway Transportation Corp. Texas System Toll Revenue	5.184%	10/1/42	1,015	1,220
Houston TX GO	6.290%	3/1/32	560	665
Illinois Finance Authority	4.545%	10/1/18	810	833
Illinois GO	5.100%	6/1/33	1,600	1,497
Illinois Toll Highway Authority Revenue	6.184%	1/1/34	750	962
[8] Kansas Development Finance Authority Revenue (Public Employees Retirement System)	5.501%	5/1/34	2,000	2,306
Los Angeles CA Community College District GO	6.750%	8/1/49	405	614
Los Angeles CA Unified School District GO	5.750%	7/1/34	1,400	1,769
Maryland Transportation Authority Facilities Projects Revenue	5.888%	7/1/43	545	714
Massachusetts School Building Authority Dedicated Sales Tax Revenue	5.715%	8/15/39	1,000	1,275
New Jersey Turnpike Authority Revenue	7.414%	1/1/40	410	616
New Jersey Turnpike Authority Revenue	7.102%	1/1/41	600	875
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.790%	6/15/41	115	126
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.882%	6/15/44	80	108
New York Metropolitan Transportation Authority Revenue	6.814%	11/15/40	150	209
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	7.336%	11/15/39	325	492
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	6.089%	11/15/40	445	584
New York State Urban Development Corp. Revenue	2.100%	3/15/22	3,710	3,702
North Texas Tollway Authority System Revenue	6.718%	1/1/49	1,555	2,267
Oregon Department of Transportation Highway User Tax Revenue	5.834%	11/15/34	655	844
Oregon GO	5.902%	8/1/38	490	628
[8] Oregon School Boards Association GO	5.528%	6/30/28	2,000	2,345
Port Authority of New York & New Jersey Revenue	5.859%	12/1/24	325	393
Port Authority of New York & New Jersey Revenue	6.040%	12/1/29	265	338
Port Authority of New York & New Jersey Revenue	4.458%	10/1/62	1,300	1,416
Port Authority of New York & New Jersey Revenue	4.810%	10/15/65	640	738
Regents of the University of California Revenue	3.063%	7/1/25	1,280	1,289
San Antonio TX Electric & Gas Systems Revenue	5.985%	2/1/39	305	397
University of California Revenue	3.931%	5/15/45	570	587
University of California Regents Medical Center Revenue	6.548%	5/15/48	295	400

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
University of California Regents Medical Center Revenue	6.583%	5/15/49	900	1,223
University of California Revenue	4.601%	5/15/31	590	655
University of California Revenue	5.770%	5/15/43	1,010	1,294
University of California Revenue	4.765%	5/15/44	145	154
Total Taxable Municipal Bonds (Cost $44,498)				**50,619**
Temporary Cash Investments (3.6%)				
Repurchase Agreement (2.1%)				
RBS Securities, Inc. (Dated 6/30/17, Repurchase Value $55,105,000, collateralized by U.S. Treasury Note/Bond, 1.000%, 12/15/17–2/15/18, with a value of $56,203,000)	1.050%	7/3/17	55,100	55,100
			Shares	
Money Market Fund (0.1%)				
[9,10] Vanguard Market Liquidity Fund	1.181%		36,872	3,688
			Face Amount ($000)	
Commercial Paper (1.4%)				
Bank of Tokyo-Mitsubishi UFJ Ltd. (New York Branch)	1.191%	7/13/17	3,000	2,999
BNP Paribas (New York Branch)	1.171%	7/20/17	4,000	3,997
[11] BPCE SA	1.217%–1.222%	8/4/17	4,000	3,995
[11] Canadian Imperial Bank of Commerce	1.141%	7/27/17	3,000	2,997
[11] Chevron Corp.	1.101%	7/14/17	4,000	3,998
[11] DNB Bank ASA	1.171%	7/21/17	4,000	3,997
[11] John Deere Capital Corp.	1.121%	7/14/17	3,000	2,999
[11] Microsoft Corp.	0.991%	7/17/17	4,000	3,998
[11] PepsiCo Inc.	1.101%	7/21/17	1,320	1,319
[11] PepsiCo Inc.	1.101%	7/25/17	1,680	1,679
[11] Societe Generale SA	1.242%	7/31/17	2,000	1,998
[11] Wal-Mart Stores, Inc.	1.111%	7/17/17	3,000	2,999
				36,975
Total Temporary Cash Investments (Cost $95,764)				**95,763**
Total Investments (99.9%) (Cost $2,205,464)				**2,702,514**
Conventional Mortgage-Backed Securities—Sale Commitments (-0.2%)				
[1,2] Freddie Mac Gold Pool	3.000%	7/1/47	(5,200)	(5,189)
Total Conventional Mortgage-Backed Securities—Sale Commitments (Proceeds $5,231)				**(5,189)**

	Amount ($000)
Other Assets and Liabilities (0.3%)	
Other Assets	
Investment in Vanguard	177
Receivables for Investment Securities Sold	7,930
Receivables for Accrued Income	9,340
Receivables for Capital Shares Issued	516
Other Assets[12]	1,614
Total Other Assets	**19,577**
Liabilities	
Payables for Investment Securities Purchased	(2,403)
Collateral for Securities on Loan	(3,682)
Payables for Capital Shares Redeemed	(2,053)
Payables to Investment Advisor	(180)
Payables to Vanguard	(3,024)
Other Liabilities	(55)
Total Liabilities	**(11,397)**
Net Assets (100%)	
Applicable to 117,906,692 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**2,705,505**
Net Asset Value Per Share	**$22.95**

At June 30, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	2,115,324
Undistributed Net Investment Income	32,130
Accumulated Net Realized Gains	60,800
Unrealized Appreciation (Depreciation)	
Investment Securities	497,050
Sale Commitments	42
Futures Contracts	34
Forward Currency Contracts	104
Foreign Currencies	21
Net Assets	**2,705,505**

• 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 $3,527,000.

* Non-income-producing security.

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, 2017, the aggregate value of these securities was $132,432,000, representing 4.9% of net assets.

4 Adjustable-rate security.

5 Face amount denominated in Canadian dollars.

6 Face amount denominated in Japanese yen.

7 Guaranteed by the Government of Japan.

8 Scheduled principal and interest payments are guaranteed by AGM (Assured Guaranty Municipal Corporation).

9 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

10 Includes $3,682,000 of collateral received for securities on loan.

11 Security exempt from registration under Section 4(2) of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration only to dealers in that program or other "accredited investors." At June 30, 2017, the aggregate value of these securities was $29,979,000, representing 1.1% of net assets.

12 Cash of $64,000 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, 2017 ($000)
Investment Income	
Income	
Dividends[1]	24,138
Interest	13,876
Securities Lending—Net	124
Total Income	38,138
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	703
Performance Adjustment	(57)
The Vanguard Group—Note C	
Management and Administrative	2,120
Marketing and Distribution	186
Custodian Fees	36
Shareholders' Reports	48
Trustees' Fees and Expenses	2
Total Expenses	3,038
Net Investment Income	**35,100**
Realized Net Gain (Loss)	
Investment Securities Sold[2]	62,815
Futures Contracts	(460)
Foreign Currencies and Forward Currency Contracts	(24)
Realized Net Gain (Loss)	**62,331**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	59,955
Sale Commitments	42
Futures Contracts	17
Foreign Currencies and Forward Currency Contracts	(365)
Change in Unrealized Appreciation (Depreciation)	**59,649**
Net Increase (Decrease) in Net Assets Resulting from Operations	**157,080**

1 Dividends are net of foreign withholding taxes of $614,000.

2 Realized net gain (loss) from an affiliated company of the fund was $2,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	35,100	63,603
Realized Net Gain (Loss)	62,331	98,112
Change in Unrealized Appreciation (Depreciation)	59,649	90,108
Net Increase (Decrease) in Net Assets Resulting from Operations	157,080	251,823
Distributions		
Net Investment Income	(62,751)	(59,178)
Realized Capital Gain[1]	(98,841)	(103,561)
Total Distributions	(161,592)	(162,739)
Capital Share Transactions		
Issued	121,410	224,117
Issued in Lieu of Cash Distributions	161,592	162,739
Redeemed	(127,274)	(233,312)
Net Increase (Decrease) from Capital Share Transactions	155,728	153,544
Total Increase (Decrease)	151,216	242,628
Net Assets		
Beginning of Period	**2,554,289**	**2,311,661**
End of Period[2]	**2,705,505**	**2,554,289**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $8,301,000 and $1,336,000, 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 $32,130,000 and $59,640,000.

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, 2017	Year Ended December 31, 2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	**$23.03**	**$22.32**	**$23.99**	**$23.66**	**$20.70**	**$18.90**
Investment Operations						
Net Investment Income	.300	.581	.576	.569	.540	.547
Net Realized and Unrealized Gain (Loss) on Investments	1.080	1.713	(.548)	1.613	3.450	1.800
Total from Investment Operations	1.380	2.294	.028	2.182	3.990	2.347
Distributions						
Dividends from Net Investment Income	(.567)	(.576)	(.570)	(.555)	(.550)	(.547)
Distributions from Realized Capital Gains	(.893)	(1.008)	(1.128)	(1.297)	(.480)	—
Total Distributions	(1.460)	(1.584)	(1.698)	(1.852)	(1.030)	(.547)
Net Asset Value, End of Period	**$22.95**	**$23.03**	**$22.32**	**$23.99**	**$23.66**	**$20.70**
Total Return	**6.16%**	**11.01%**	**0.09%**	**9.84%**	**19.88%**	**12.56%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$2,706	$2,554	$2,312	$2,334	$2,089	$1,691
Ratio of Total Expenses to Average Net Assets[1]	0.23%	0.23%	0.23%	0.25%	0.27%	0.26%
Ratio of Net Investment Income to Average Net Assets	2.62%	2.66%	2.53%	2.50%	2.52%	2.86%
Portfolio Turnover Rate[2]	30%	33%	45%	70%	31%	24%

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%), 0.00%, 0.00%, 0.00%, and (0.01%).

2 Includes 4%, 0%, 14%, 15%, 19%, and 18% 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 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. 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, 2017, 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. 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. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. 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, 2017, 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.

5. 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. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. 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.

6. 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.

7. 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, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. 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.

8. 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, 2013–2016), and for the period ended June 30, 2017, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

9. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

10. 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 event 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. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

11. 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, 2017, or at any time during the period then ended.

12. 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. 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 Bloomberg Barclays U.S. Credit A or Better Bond Index for the preceding three years. For the six months ended June 30, 2017, the investment advisory fee represented an effective annual basic rate of 0.05% of the portfolio's average net assets before a decrease of $57,000 (0.00%) 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, 2017, the portfolio had contributed to Vanguard capital in the amount of $177,000, representing 0.01% of the portfolio's net assets and 0.07% 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, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,545,229	197,717	—
U.S. Government and Agency Obligations	—	147,594	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	30,627	—
Corporate Bonds	—	586,042	—
Sovereign Bonds	—	48,923	—
Taxable Municipal Bonds	—	50,619	—
Temporary Cash Investments	3,688	92,075	—
Conventional Mortgage-Backed Securities—Sale Commitments	—	(5,189)	—
Futures Contracts—Assets[1]	15	—	—
Futures Contracts—Liabilities[1]	(2)	—	—
Forward Currency Contracts—Assets	—	131	—
Forward Currency Contracts—Liabilities	—	(27)	—
Total	1,548,932	1,148,512	—

1 Represents variation margin on the last day of the reporting period.

E. At June 30, 2017, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Interest Rate Contracts ($000)	Currency Contracts ($000)	Total ($000)
Other Assets	15	131	146
Other Liabilities	(2)	(27)	(29)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2017, were:

Realized Net Gain (Loss) on Derivatives	Interest Rate Contracts ($000)	Currency Contracts ($000)	Total ($000)
Futures Contracts	(460)	—	(460)
Forward Currency Contracts	—	(53)	(53)
Realized Net Gain (Loss) on Derivatives	(460)	(53)	(513)
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Futures Contracts	17	—	17
Forward Currency Contracts	—	(408)	(408)
Change in Unrealized Appreciation (Depreciation) on Derivatives	17	(408)	(391)

At June 30, 2017, 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)
2-Year U.S. Treasury Note	September 2017	(69)	(14,912)	25
5-Year U.S. Treasury Note	September 2017	(49)	(5,774)	13
10-Year U.S. Treasury Note	September 2017	6	753	(4)
				34

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

At June 30, 2017, 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 realized gain (loss) for tax purposes.

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) ($000)
			Receive		Deliver	
Goldman Sachs International	9/11/17	USD	2,283	JPY	250,000	53
Citibank, N.A.	9/5/17	USD	2,263	JPY	250,000	34
Goldman Sachs International	8/21/17	USD	2,250	JPY	250,000	23
Citibank, N.A.	8/28/17	USD	2,250	JPY	250,000	21
J.P. Morgan Securities, Inc.	8/14/17	USD	2,216	JPY	250,000	(11)
J.P. Morgan Securities, Inc.	8/7/17	USD	2,215	JPY	250,000	(11)
The Toronto-Dominion Bank	7/18/17	USD	767	CAD	1,000	(5)
						104

CAD—Canadian dollar.
JPY—Japanese yen.
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. 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, 2017, the portfolio realized net foreign currency gains of $141,000, which increased distributable net income for tax purposes; accordingly, such gains have been reclassified from accumulated net realized gains to undistributed net investment income.

At June 30, 2017, the cost of investment securities (excluding sale commitments) for tax purposes was $2,206,266,000. Net unrealized appreciation of investment securities (excluding sale commitments) for tax purposes was $496,248,000, consisting of unrealized gains of $522,915,000 on securities that had risen in value since their purchase and $26,667,000 in unrealized losses on securities that had fallen in value since their purchase. Tax basis net unrealized appreciation on sale commitments was $42,000, consisting entirely of unrealized gains on sale commitments that had risen in value since their sale.

G. During the six months ended June 30, 2017, the portfolio purchased $668,146,000 of investment securities and sold $687,454,000 of investment securities, other than U.S. government securities and temporary cash investments. Purchases and sales of U.S. government securities were $93,524,000 and $100,666,000, respectively.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	Shares (000)	Shares (000)
Issued	5,257	10,171
Issued in Lieu of Cash Distributions	7,227	7,798
Redeemed	(5,507)	(10,616)
Net Increase (Decrease) in Shares Outstanding	6,977	7,353

At June 30, 2017, 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 76% 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, 2017, 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, 2017

Balanced Portfolio	Beginning Account Value 12/31/2016	Ending Account Value 6/30/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,061.60	$1.18
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.65	1.15

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 0.23%. 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 (181/365).

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. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also 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 compared with a relevant 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 for this portfolio.

The board did not consider the 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 197 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. 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; Trustee of the University of Rochester.

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 Arconic Inc. (diversified manufacturer), 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.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) 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), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair 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, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

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 Co-Managing Partner of HighVista Strategies LLC (private investment firm); 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); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

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: Principal of 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).

Anne E. Robinson
Born 1970. Secretary Since September 2016. 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; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Treasurer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Director of Vanguard Marketing Corporation; Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi

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

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Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

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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 email 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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Q692B 082017

Vanguard®

Semiannual Report | June 30, 2017

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: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

A Message from Vanguard's Chairman

Dear Planholder,

More than a decade ago, the eminent investor and commentator Howard Marks published a memo to his clients titled simply "Risk." In it, Howard distilled the relationship between investors and risk. "When you boil it all down, it's the investor's job to intelligently bear risk for profit," he wrote.

It's not surprising, then, that everyone from portfolio managers to behavioral economists avidly studies how investors' reactions to risk influence not only individual investment decisions but also the broader financial markets. I'm a big fan of some of the behavioral finance work being done, which includes studies by our own investment strategists and analysts.

A lens on investor behavior

For example, Vanguard's Investment Strategy Group introduced a "risk speedometers" report in January to look at how investors are reacting to market developments. This lens on real-world behavior measures the risk investors are taking in a given period by calculating the difference between net cash flows into higher-risk assets, such as stocks, and net cash flows into lower-risk assets, such as Treasuries. The measures are then compared with long-term averages.

In the spring, the risk speedometer spiked. The spike was fueled by investors' decisions to direct more of their equity dollars to international investments in developed and emerging markets, and their bond dollars to riskier credit categories.

A spiking speedometer seems a fitting analogy for what can happen. I consider myself a responsible driver. Still, when the highway is clear and the weather is nice, I might glance down at the speedometer and find that my right foot has gotten a little heavy.

The same phenomenon is possible with our investment portfolios. Just as our attention can drift from our speed—and the risk level on the road—we can neglect the risk level of our portfolio's asset allocation. Experience teaches that investors are especially prone to lose sight of risk when markets have been buoyant.

How I manage risk in my own portfolio

Rebalancing—periodically adjusting your asset allocation so it stays in line with your goals and risk tolerance—is one of the best ways I know of to help manage risk. Without rebalancing, your portfolio may end up potentially riskier than you intended and no longer aligned with your goals.

I have a ritual I perform every June and again each December, between Christmas and New Year's, as I prepare for a series of annual meetings with the Vanguard crew. I'll set aside some time, review my investment portfolio, and, if necessary, rebalance back to my target asset allocation.

My own portfolio is a mix of equity and fixed income funds, and I invest in both actively managed funds and index funds. Most years, I'll make a minor adjustment to get back to the appropriate asset allocation for my own longer-term goals and risk tolerance. It's not all that complicated, although my portfolio is a little more complex than some because I own more funds than we'd typically suggest. As chairman of Vanguard's funds, I feel I should own a significant number of them.

Consider your options

You should consider rebalancing if your target allocation is off by 5 percentage points or more. Admittedly, this is often easier said than done. When an investment has performed exceptionally well, people have a hard time trimming it. They can be led astray by that old (and none-too-helpful) investing saw: Let your winners run.

Fortunately, in recent years we've seen all sorts of investors take steps to rebalance. Many of the endowments, foundations, and traditional pension plans that Vanguard serves have good processes built into their investment guidelines to make sure rebalancing takes place on a regular basis. And among investors in defined contribution retirement plans, more and more are using target-date funds, where rebalancing happens automatically.

If you choose to rebalance on your own, use your target asset allocation as your guidepost. Don't be afraid to buy into bad news. In a sense, don't worry about the noise of the marketplace. If you work with an advisor, make sure he or she understands the importance you place on your rebalancing ritual.

And remember, the goal of rebalancing is to manage risk, not to avoid it altogether. Risk is inherent in investing—we just want to bear that risk intelligently.

In that insightful memo on risk, Howard Marks included a saying often attributed to Will Rogers: "You've got to go out on a limb sometimes because that's where the fruit is."

Tim Buckley chosen as Vanguard's next CEO

In closing, I'll note senior leadership changes that we announced in July. Our board of directors has elected Vanguard Chief Investment Officer Tim Buckley as president and director of Vanguard. Under the planned transition, Tim will succeed me as Vanguard's chief executive officer on January 1, 2018.

I'm delighted with our board's selection of Tim. We first met in 1991 when Tim was interviewing for a job at Vanguard. In the decades since, we've worked closely together, and he's always impressed me as a man of tremendous character and an outstanding leader with a passion for serving our clients. During the transition period, I will work closely with Tim in managing the firm and overseeing its operations.

Replacing Tim as chief investment officer is Greg Davis, who had been global head of Vanguard Fixed Income Group. And succeeding Greg as our fixed income leader is John Hollyer, who most recently served as our global head of investment risk management. I know Greg and John will both do a superb job in their new roles.

As with past successions, I will remain as chairman for a period of time determined by the board. On a personal note, it has been an honor and a privilege to lead Vanguard. Having spent more than half my life at Vanguard, I have come to know many fabulous crew members who are incredibly dedicated to Vanguard's mission. Please be assured that Tim and the rest of the team will serve you and our other clients extremely well as Vanguard prepares for its next chapter.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2017

Market Perspective

U.S. stocks posted strong gains as corporate earnings increased

U.S. stocks climbed steadily over the six months ended June 30, 2017, and hovered near all-time highs as investors accepted risk, corporate earnings exceeded expectations, and stock valuations increased. Volatility was generally muted. Also, the Federal Reserve's gradual short-term interest rate increases and its plans to reduce its balance sheet didn't disrupt markets.

The Fed's move in June to raise the federal funds target rate by a quarter of a percentage point, to 1%–1.25%, was its second increase in 2017 and its fourth since it began raising the rate at the end of 2015. In announcing the change, Fed Chairwoman Janet Yellen noted the economy's resilience.

The broad U.S. stock market returned 8.93% for the six months. U.S. large- and mid-capitalization stocks outperformed their small-cap counterparts, while growth surpassed value. Among sectors, health care, information technology, and industrials climbed the most and energy and telecommunication services lagged.

For U.S. investors, a weaker dollar boosted international stocks, which returned 13.95%. Developed European and Pacific markets, as well as emerging markets, produced double-digit returns.

Bond prices benefited from monetary stimulus programs

Demand for bonds helped drive global fixed income returns higher even as investors flocked to equities. After a short-term rebound, inflation expectations declined, contributing to lower yields for longer-dated U.S. Treasuries and higher bond prices. (Bond prices and yields move in opposite directions.) Accommodative monetary policies also supported bond prices, although indications that the European Central Bank might reduce its bond-buying stimulus sooner than expected led to a sharp price decline over the period's final week.

The yield of the benchmark 10-year Treasury note closed the period at 2.30%, down from 2.45% at the end of December 2016. The broad U.S. bond market returned 2.27% for the period. Investment-grade corporate bonds outpaced Treasuries and mortgage-backed securities.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 6.12%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds and finished with gains of less than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.27%	18.03%	14.67%
Russell 2000 Index (Small-caps)	4.99	24.60	13.70
Russell 3000 Index (Broad U.S. market)	8.93	18.51	14.58
FTSE All-World ex US Index (International)	13.95	20.53	7.68
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.27%	-0.31%	2.21%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.57	-0.49	3.26
Citigroup Three-Month U.S. Treasury Bill Index	0.30	0.46	0.13
CPI			
Consumer Price Index	1.46%	1.63%	1.31%

Vanguard® High Yield Bond Portfolio

Advisor's Report

The investment environment

For the first six months of 2017, Vanguard High Yield Bond Portfolio portfolio returned 4.90%, compared with the benchmark return of 4.33%. 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.

High-yield markets generated strong gains despite heightened political uncertainty, declining oil prices, and tighter Federal Reserve monetary policy. The 10-year U.S. Treasury yield declined to 2.31% at the end of June, from 2.45% at the end of December 2016. As bond yields and prices move in opposite directions, bond prices increased. Fixed income markets posted healthy returns as bouts of elevated political uncertainty kept a lid on government bond yields.

In the United States, the stalled effort in Congress to repeal and replace the Affordable Care Act cast doubt on prospects for President Trump's other policy agendas, reversing some of the postelection sell-off in U.S. Treasuries.

Political controversies—in particular, the investigation into alleged involvement by Russia in the 2016 presidential election—led to a short-lived dip in risk assets. French and British elections presented potential sources of volatility but proved benign in the aftermath. Despite concerns about prospects for retailers, particularly in the United States, generally solid corporate earnings and continued demand for yield-producing assets supported credit markets, and spreads tightened further.

For the six months ended June 30, performance varied somewhat by credit quality. The high-yield market continued to favor relatively lower-quality bonds amid the insatiable search for yield. CCC-rated bonds performed best, returning 6.59%, according to Bloomberg Barclays U.S. Corporate High Yield Bond Index data. Higher-rated BB bonds returned 4.79% and B bonds 4.28%. The spread of the high-yield market tightened to 364 basis points over Treasuries at the end of June, from 409 bps at the end of 2016. (A basis point is one one-hundredth of a percentage point.) The average price of high-yield bonds increased $2, to $102.

Our outlook for high yield remains positive given the backdrop of stable corporate fundamentals, a supportive macroeconomic landscape, and strong demand for yield-producing assets. We expect GDP growth in 2017, driven by consumer spending and investment, and believe that most high-yield companies can sustain solid credit profiles in that environment.

Although global political risks remain, valuations appear reasonable relative to our outlook, in particular given that we expect a lower default rate over 2017. Moody's trailing 12-month global issuer-weighted speculative-grade default rate ended May at 3.3%, below the long-term average of 4.2%. Although bouts of volatility may persist, we continue to take a long-term, issuer-specific approach to finding opportunities in this market.

We are particularly optimistic about U.S. conditions and favor issuers that are expected to benefit from a stable or growing domestic economy. Even as we continue to monitor the possible impact on global growth of increased political uncertainty and potentially more protectionist policies, we believe that strong investor demand will continue to support the high-yield market. High yield maintains an attractive yield advantage, and the ongoing "search for yield" given the low interest rates around much of the globe should continue to boost the asset class.

Total Returns

	Six Months Ended June 30, 2017
Vanguard High Yield Bond Portfolio	4.90%
High-Yield Corporate Composite Index[1]	4.33
Variable Insurance High Yield Funds Average[2]	4.04

Expense Ratios
Your Portfolio Compared With Its Peer Group

	Portfolio[3]	Variable Insurance High Yield Funds Average[4]
High Yield Bond Portfolio	0.28%	0.86%

1 Consists of 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, the portfolio's annualized expense ratio was 0.28%.
4 The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

The portfolio's shortfalls
Our positioning within the energy sector detracted from relative returns, as did security selection in utilities.

The portfolio's successes
The portfolio benefited from an overweight allocation to and positive credit selection within health care, as well as positive credit selection among wireless and pharmaceutical businesses.

The portfolio's positioning
The portfolio 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 stable credit profiles and greater predictability of cash flows than those at the lower end of the quality spectrum. We prefer higher-quality credits in an effort to minimize defaults and provide stable income. We continue to diversify the portfolio's holdings by issuer and industry 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 21, 2017

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer you will be asked to vote on the election of trustees for all U.S.-domiciled Vanguard funds. Shareholders will also be asked to vote on several fund policy proposals that we believe are in the best interests of all shareholders.

Vanguard filed a preliminary proxy statement on July 13, 2017, with the U.S. Securities and Exchange Commission (SEC). Following the SEC's review, we expect to provide the proxy materials to Vanguard fund shareholders beginning in late August 2017. That's when you can begin to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

Portfolio Profile

As of June 30, 2017

Financial Attributes

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Bonds	492	1,818	2,061
Yield[3]	4.6%	4.7%	5.6%
Yield to Maturity	5.1%[4]	5.1%	6.1%
Average Coupon	6.0%	5.9%	6.5%
Average Effective Maturity	6.0 years	4.9 years	4.8 years
Average Duration	4.4 years	4.0 years	3.9 years
Expense Ratio[5]	0.28%	—	—
Short-Term Reserves	3.8%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.97	0.94
Beta	0.90	0.75

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	4.4%
1–5 Years	25.6
5–10 Years	61.3
10–20 Years	3.9
20–30 Years	3.3
Over 30 Years	1.5

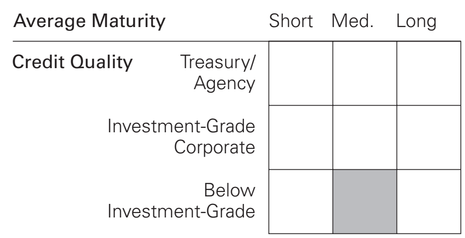
Sector Diversification (% of portfolio)

Basic Industry	7.6%
Capital Goods	8.7
Communication	24.0
Consumer Cyclical	10.4
Consumer Non-Cyclical	13.6
Energy	13.7
Finance	9.0
Industrial Other	0.4
Other Corporate	1.6
Technology	7.5
Transportation	1.8
Utilities	1.7

Distribution by Credit Quality (% of portfolio)

U.S. Government	0.0%
Aaa	0.0
Baa	2.7
Ba	48.9
B	39.6
Caa	8.6
C	0.0
Not Rated	0.2

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.

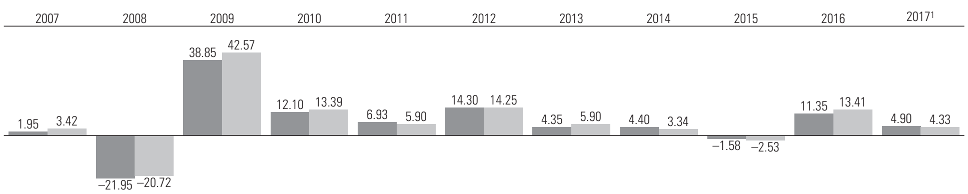
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no 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 Bloomberg 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, the portfolio's annualized expense ratio was 0.28%.

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, 2006–June 30, 2017



High Yield Bond Portfolio
High-Yield Corporate Composite Index[2]

Average Annual Total Returns: Periods Ended June 30, 2017

				Ten Years		
	Inception Date	One Year	Five Years	Capital	Income	Total
High Yield Bond Portfolio	6/3/1996	10.43%	6.04%	-0.27%	6.68%	6.41%

1 Six months ended June 30, 2017.
2 Consists of 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg 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, 2017

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)
	Corporate Bonds (95.0%)				
	Finance (9.2%)				
	Banking (1.2%)				
	Ally Financial Inc.	4.625%	5/19/22	105	109
	Ally Financial Inc.	5.125%	9/30/24	480	506
	Ally Financial Inc.	4.625%	3/30/25	800	819
	Ally Financial Inc.	5.750%	11/20/25	200	211
1,2	Credit Suisse AG	6.250%	12/31/50	2,180	2,316
	Royal Bank of Scotland Group plc	6.125%	12/15/22	1,635	1,787
2	UBS Group AG	6.875%	12/31/49	2,200	2,346
	Finance Companies (5.1%)				
2,3	AerCap Global Aviation Trust	6.500%	6/15/45	3,750	3,984
	Aircastle Ltd.	5.125%	3/15/21	30	32
	Aircastle Ltd.	5.500%	2/15/22	830	902
	Ally Financial Inc.	8.000%	11/1/31	215	263
	CIT Group Inc.	3.875%	2/19/19	1,100	1,130
	CIT Group Inc.	5.375%	5/15/20	2,915	3,137
	CIT Group Inc.	5.000%	8/15/22	1,205	1,298
4	Homer City Generation LP	8.734%	10/1/26	3,575	1,216
	Navient Corp.	8.000%	3/25/20	2,000	2,236
	Navient Corp.	6.625%	7/26/21	315	339
	Navient Corp.	7.250%	1/25/22	615	673
	Navient Corp.	6.500%	6/15/22	3,105	3,299
	Navient Corp.	5.500%	1/25/23	2,325	2,354
	Navient Corp.	7.250%	9/25/23	590	633
	Navient Corp.	6.750%	6/25/25	3,315	3,402
3	OneMain Financial Holdings LLC	6.750%	12/15/19	285	299
3	Park Aerospace Holdings Ltd.	5.250%	8/15/22	1,370	1,429
3	Park Aerospace Holdings Ltd.	5.500%	2/15/24	1,850	1,927
	Springleaf Finance Corp.	5.250%	12/15/19	210	217
	Springleaf Finance Corp.	6.000%	6/1/20	65	68
	Springleaf Finance Corp.	8.250%	12/15/20	2,300	2,588
	Springleaf Finance Corp.	7.750%	10/1/21	1,965	2,196
	Springleaf Finance Corp.	6.125%	5/15/22	385	406
	Springleaf Finance Corp.	8.250%	10/1/23	515	574
	Insurance (1.9%)				
	Genworth Holdings Inc.	7.700%	6/15/20	270	265
	Genworth Holdings Inc.	7.200%	2/15/21	830	788
	Genworth Holdings Inc.	7.625%	9/24/21	760	729
	Genworth Holdings Inc.	4.900%	8/15/23	1,475	1,232
	Genworth Holdings Inc.	4.800%	2/15/24	220	181
3	Liberty Mutual Group Inc.	7.800%	3/15/37	1,560	1,954
	LifePoint Health Inc.	5.875%	12/1/23	1,635	1,725
	MGIC Investment Corp.	5.750%	8/15/23	725	781
	Radian Group Inc.	5.250%	6/15/20	295	312
	Radian Group Inc.	7.000%	3/15/21	1,705	1,910
2	Voya Financial Inc.	5.650%	5/15/53	2,725	2,902
	Other Finance (0.5%)				
	CNO Financial Group Inc.	4.500%	5/30/20	150	156
	CNO Financial Group Inc.	5.250%	5/30/25	1,865	1,977
3,5	Lincoln Finance Ltd.	6.875%	4/15/21	265	324
3	Lincoln Finance Ltd.	7.375%	4/15/21	485	514
	Nationstar Mortgage LLC / Nationstar Capital Corp.	6.500%	7/1/21	499	509
	Real Estate Investment Trusts (0.5%)				
	Felcor Lodging LP	5.625%	3/1/23	2,325	2,415
	Felcor Lodging LP	6.000%	6/1/25	1,160	1,238
					62,608
	Industrial (84.4%)				
	Basic Industry (7.9%)				
	AK Steel Corp.	7.625%	10/1/21	355	368
	AK Steel Corp.	7.500%	7/15/23	2,395	2,593
	AK Steel Corp.	7.000%	3/15/27	1,945	2,006
3	Alliance Resource Operating Partners LP / Alliance Resource Finance Corp.	7.500%	5/1/25	395	415
3	Anglo American Capital plc	3.625%	5/14/20	1,025	1,038
3	Anglo American Capital plc	4.125%	4/15/21	855	879
3	Anglo American Capital plc	4.125%	9/27/22	665	680
3	Anglo American Capital plc	4.875%	5/14/25	850	879
3	Anglo American Capital plc	4.750%	4/10/27	675	684
	ArcelorMittal	5.125%	6/1/20	295	312
	ArcelorMittal	6.750%	2/25/22	560	630
	ArcelorMittal	6.125%	6/1/25	670	750
3	Axalta Coating Systems LLC	4.875%	8/15/24	685	707
	Chemours Co.	6.625%	5/15/23	2,565	2,712
	Chemours Co.	7.000%	5/15/25	1,990	2,164
	Chemours Co.	5.375%	5/15/27	625	643
	Commercial Metals Co.	5.375%	7/15/27	565	576
3,5	Constellium NV	4.625%	5/15/21	125	142
3	Constellium NV	8.000%	1/15/23	1,520	1,568
3	Constellium NV	5.750%	5/15/24	1,085	1,006
3	Constellium NV	6.625%	3/1/25	2,130	2,023
3	First Quantum Minerals Ltd.	7.000%	2/15/21	1,417	1,452
3	First Quantum Minerals Ltd.	7.250%	5/15/22	1,580	1,612
3	FMG Resources August 2006 Pty Ltd.	4.750%	5/15/22	635	635
3	FMG Resources August 2006 Pty Ltd.	5.125%	5/15/24	610	610
	Hexion Inc.	6.625%	4/15/20	1,545	1,410
3	New Gold Inc.	6.250%	11/15/22	1,149	1,181
3	New Gold Inc.	6.375%	5/15/25	695	717
3	Novelis Corp.	6.250%	8/15/24	1,580	1,653
3	Novelis Corp.	5.875%	9/30/26	1,885	1,942
	Olin Corp.	5.125%	9/15/27	1,685	1,736
	Steel Dynamics Inc.	5.125%	10/1/21	1,320	1,358
	Steel Dynamics Inc.	5.500%	10/1/24	1,185	1,256
	Teck Resources Ltd.	3.750%	2/1/23	295	286
3	Teck Resources Ltd.	8.500%	6/1/24	1,395	1,609
	Teck Resources Ltd.	6.125%	10/1/35	235	245
	Teck Resources Ltd.	6.000%	8/15/40	200	201
	Teck Resources Ltd.	6.250%	7/15/41	645	668
	Teck Resources Ltd.	5.200%	3/1/42	150	139
	Teck Resources Ltd.	5.400%	2/1/43	1,450	1,359
	United States Steel Corp.	7.375%	4/1/20	1,034	1,114
	United States Steel Corp.	6.875%	4/1/21	890	913
3	United States Steel Corp.	8.375%	7/1/21	2,640	2,901
	United States Steel Corp.	7.500%	3/15/22	575	589
	United States Steel Corp.	6.650%	6/1/37	460	413
3	Versum Materials Inc.	5.500%	9/30/24	640	673
3,5	VWR Funding Inc.	4.625%	4/15/22	3,500	4,156
	Westlake Chemical Corp.	4.875%	5/15/23	230	239

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Capital Goods (8.6%)				
	ARD Finance SA	7.125%	9/15/23	655	699
3	ARD Finance SA	7.125%	9/15/23	1,140	1,217
3	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,415	1,546
3	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	6.000%	2/15/25	2,615	2,742
3,6	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	208
	Berry Plastics Corp.	5.500%	5/15/22	60	62
	Berry Plastics Corp.	5.125%	7/15/23	60	62
	Berry Plastics Escrow LLC/ Berry Plastics Escrow Corp.	6.000%	10/15/22	750	800
3	Bombardier Inc.	7.750%	3/15/20	1,500	1,616
3	Cemex Finance LLC	6.000%	4/1/24	290	307
3	Cemex SAB de CV	6.125%	5/5/25	3,580	3,862
3	Cemex SAB de CV	7.750%	4/16/26	735	841
	Clean Harbors Inc.	5.250%	8/1/20	2,006	2,031
	Clean Harbors Inc.	5.125%	6/1/21	2,033	2,076
	CNH Industrial Capital LLC	3.625%	4/15/18	930	937
	CNH Industrial Capital LLC	3.875%	7/16/18	1,745	1,771
	CNH Industrial Capital LLC	3.375%	7/15/19	257	262
	CNH Industrial Capital LLC	4.375%	11/6/20	1,230	1,290
	CNH Industrial Capital LLC	4.875%	4/1/21	1,155	1,224
	CNH Industrial Capital LLC	4.375%	4/5/22	700	732
	CNH Industrial NV	4.500%	8/15/23	2,320	2,456
	Eagle Materials Inc.	4.500%	8/1/26	185	190
3	Flex Acquisition Co. Inc.	6.875%	1/15/25	3,548	3,681
3	HD Supply Inc.	5.250%	12/15/21	1,105	1,159
3	HD Supply Inc.	5.750%	4/15/24	280	298
3,5	Loxam SAS	4.250%	4/15/24	190	229
3,5	Loxam SAS	6.000%	4/15/25	185	229
3	Meritage Homes Corp.	5.125%	6/6/27	505	505
3	Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	989
3	Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	399
	PulteGroup Inc.	5.500%	3/1/26	1,245	1,327
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	985	1,006
3	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	1,490	1,542
3	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	471
3	Signode Industrial Group Lux SA/ Signode Industrial Group US Inc.	6.375%	5/1/22	2,793	2,919
3	Standard Industries Inc.	5.500%	2/15/23	295	310
3	Standard Industries Inc.	5.375%	11/15/24	1,085	1,135
3	Standard Industries Inc.	6.000%	10/15/25	4,295	4,574
3	Standard Industries Inc.	5.000%	2/15/27	495	502
	TransDigm Inc.	6.500%	7/15/24	1,600	1,644
	TransDigm Inc.	6.500%	5/15/25	2,635	2,691
	United Rentals North America Inc.	6.125%	6/15/23	355	370
	United Rentals North America Inc.	4.625%	7/15/23	840	872
	United Rentals North America Inc.	5.500%	7/15/25	1,025	1,074
	United Rentals North America Inc.	5.875%	9/15/26	1,215	1,294
	United Rentals North America Inc.	5.500%	5/15/27	1,970	2,029
3	USG Corp.	5.500%	3/1/25	263	279
3	USG Corp.	4.875%	6/1/27	465	478
	Communication (23.2%)				
3	Altice Financing SA	6.625%	2/15/23	1,365	1,445
3	Altice Luxembourg SA	7.625%	2/15/25	1,000	1,095
3	Altice US Finance I Corp.	5.500%	5/15/26	2,500	2,622
3	Bankrate Inc.	6.125%	8/15/18	385	386
	Belo Corp.	7.750%	6/1/27	205	228
	Belo Corp.	7.250%	9/15/27	616	671
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	257

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	376
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	413
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	3,132
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,199
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	145	152
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,441	2,600
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,552
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,686	1,783
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	745	793
3	Cequel Communications Holdings I LLC / Cequel Capital Corp.	5.125%	12/15/21	1,935	1,974
	Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,341	1,608
3	Columbus International Inc.	7.375%	3/30/21	1,455	1,546
	CSC Holdings LLC	8.625%	2/15/19	1,345	1,473
	CSC Holdings LLC	6.750%	11/15/21	1,735	1,922
3	CSC Holdings LLC	5.500%	4/15/27	2,230	2,361
	DISH DBS Corp.	6.750%	6/1/21	3,805	4,219
	DISH DBS Corp.	5.875%	7/15/22	3,405	3,660
	DISH DBS Corp.	5.000%	3/15/23	525	536
	DISH DBS Corp.	5.875%	11/15/24	1,520	1,621
	DISH DBS Corp.	7.750%	7/1/26	1,835	2,172
	Embarq Corp.	7.995%	6/1/36	720	724
	Gannett Co. Inc.	5.125%	7/15/20	1,995	2,047
3	Gannett Co. Inc.	4.875%	9/15/21	410	421
	Gannett Co. Inc.	6.375%	10/15/23	1,150	1,213
3	Gannett Co. Inc.	5.500%	9/15/24	320	330
3	Gray Television Inc.	5.125%	10/15/24	1,420	1,434
3	Gray Television Inc.	5.875%	7/15/26	820	836
	Lamar Media Corp.	5.000%	5/1/23	1,070	1,107
	Lamar Media Corp.	5.375%	1/15/24	115	120
	Lamar Media Corp.	5.750%	2/1/26	170	184
	Level 3 Financing Inc.	5.375%	8/15/22	2,515	2,584
	Level 3 Financing Inc.	5.625%	2/1/23	870	905
	Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,159
	Level 3 Financing Inc.	5.375%	1/15/24	450	470
	Level 3 Financing Inc.	5.375%	5/1/25	1,120	1,179
	Level 3 Financing Inc.	5.250%	3/15/26	1,500	1,558
	Liberty Interactive LLC	8.500%	7/15/29	1,465	1,615
	Liberty Interactive LLC	8.250%	2/1/30	3,945	4,241
	National CineMedia LLC	6.000%	4/15/22	1,095	1,121
	Netflix Inc.	5.500%	2/15/22	980	1,062
	Netflix Inc.	5.875%	2/15/25	2,995	3,313
3	Netflix Inc.	4.375%	11/15/26	1,265	1,263
	Nokia Oyj	4.375%	6/12/27	395	402
3	Numericable Group SA	6.000%	5/15/22	1,575	1,646
3	Numericable-SFR SA	7.375%	5/1/26	1,450	1,568
	Quebecor Media Inc.	5.750%	1/15/23	2,385	2,528
	Qwest Corp.	6.875%	9/15/33	481	479
	SBA Communications Corp.	4.875%	7/15/22	1,545	1,591
3	SFR Group SA	6.250%	5/15/24	550	582
3	Sinclair Television Group Inc.	5.625%	8/1/24	200	205
3	Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,805
3	Sinclair Television Group Inc.	5.125%	2/15/27	1,590	1,538
3	Sirius XM Radio Inc.	4.250%	5/15/20	305	308
3	Sirius XM Radio Inc.	4.625%	5/15/23	390	400
3	Sirius XM Radio Inc.	6.000%	7/15/24	1,193	1,268
3	Sirius XM Radio Inc.	5.375%	4/15/25	382	395
3	Softbank Corp.	4.500%	4/15/20	2,845	2,945
	Sprint Capital Corp.	6.875%	11/15/28	4,015	4,462

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Sprint Capital Corp.	8.750%	3/15/32	635	800
3	Sprint Communications Inc.	7.000%	3/1/20	2,075	2,277
	Sprint Communications Inc.	6.000%	11/15/22	325	345
	Sprint Corp.	7.250%	9/15/21	2,590	2,875
	Sprint Corp.	7.875%	9/15/23	8,359	9,613
	Sprint Corp.	7.125%	6/15/24	1,726	1,920
	Sprint Corp.	7.625%	2/15/25	1,440	1,656
	T-Mobile USA Inc.	5.375%	4/15/27	2,945	3,144
	Telecom Italia Capital SA	6.375%	11/15/33	381	411
	Telecom Italia Capital SA	6.000%	9/30/34	1,005	1,062
	Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,547
3	Telecom Italia SpA	5.303%	5/30/24	300	322
	Time Warner Cable LLC	5.875%	11/15/40	60	67
	Time Warner Cable LLC	5.500%	9/1/41	1,973	2,121
1,7	Tribune Company Bank Loan	4.226%	12/27/20	122	123
1,7	Tribune Company Bank Loan	4.226%	1/27/24	1,523	1,532
	Tribune Media Co.	5.875%	7/15/22	1,945	2,037
3	Unitymedia Hessen GmbH & Co. KG / Unitymedia NRW GmbH	5.500%	1/15/23	1,190	1,235
3	Univision Communications Inc.	5.125%	5/15/23	550	553
3	Univision Communications Inc.	5.125%	2/15/25	6,040	5,972
2	Viacom Inc.	5.875%	2/28/57	1,243	1,293
2	Viacom Inc.	6.250%	2/28/57	1,050	1,092
	Videotron Ltd.	5.000%	7/15/22	3,763	3,998
3	Videotron Ltd.	5.375%	6/15/24	260	276
3	Virgin Media Finance plc	6.000%	10/15/24	550	582
3	Virgin Media Secured Finance plc	5.500%	1/15/25	610	633
3	Virgin Media Secured Finance plc	5.500%	8/15/26	355	371
3	VTR Finance BV	6.875%	1/15/24	2,720	2,880
3	Wind Acquisition Finance SA	4.750%	7/15/20	2,185	2,212
3	Wind Acquisition Finance SA	7.375%	4/23/21	1,900	1,974
3	WMG Acquisition Corp.	6.750%	4/15/22	2,462	2,585
3	WMG Acquisition Corp.	5.000%	8/1/23	740	760
3	WMG Acquisition Corp.	4.875%	11/1/24	1,105	1,127
	Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,489
	Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,570	1,692
3	Zayo Group LLC / Zayo Capital Inc.	5.750%	1/15/27	445	465
	Consumer Cyclical (9.6%)				
3	1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	1,480	1,469
3	Adient Global Holdings Ltd.	4.875%	8/15/26	3,495	3,504
	American Axle & Manufacturing Inc.	6.625%	10/15/22	1,300	1,337
1,7	Bass Pro Group, LLC Bank Loan	6.296%	12/15/23	1,323	1,284
1,7	Bass Pro Group, LLC Bank Loan	6.296%	12/15/23	1,772	1,720
	CalAtlantic Group Inc.	5.875%	11/15/24	140	152
	CalAtlantic Group Inc.	5.250%	6/1/26	270	279
	CalAtlantic Group Inc.	5.000%	6/15/27	1,245	1,248
3	Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Op	5.375%	4/15/27	775	817
	Cedar Fair LP / Canada's Wonderland Co. / MagnumManagement Corp.	5.375%	6/1/24	835	877
	Dana Holding Corp.	5.500%	12/15/24	1,055	1,094
1,7	Delta Alpha Topco Bank Loan	8.004%	7/29/22	495	498
	GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	110
	GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,860
	GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,971
	Goodyear Tire & Rubber Co.	4.875%	3/15/27	1,900	1,926
	Group 1 Automotive Inc.	5.000%	6/1/22	1,335	1,352
3	Group 1 Automotive Inc.	5.250%	12/15/23	1,055	1,054
3	GW Honos Security Corp.	8.750%	5/15/25	1,385	1,447
3	Hanesbrands Inc.	4.625%	5/15/24	730	740
3	Hanesbrands Inc.	4.875%	5/15/26	735	746
3	Hilton Domestic Operating Co. Inc.	4.250%	9/1/24	1,770	1,790
3	Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.625%	4/1/25	3,025	3,116
3	Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.875%	4/1/27	1,870	1,947
3	IHO Verwaltungs GmbH	4.500%	9/15/23	725	736

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	IHO Verwaltungs GmbH	4.750%	9/15/26	680	688
3	KAR Auction Services Inc.	5.125%	6/1/25	1,295	1,313
	KB Home	4.750%	5/15/19	830	857
	KB Home	8.000%	3/15/20	120	135
	KB Home	7.000%	12/15/21	230	259
	KB Home	7.500%	9/15/22	215	244
	KB Home	7.625%	5/15/23	1,300	1,462
3	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	847
3	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	918
3	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	935	954
	L Brands Inc.	6.625%	4/1/21	1,430	1,582
1,7	La Quinta Intermediate Holdings LLC Bank Loan	3.908%	4/14/21	1,815	1,821
	Lennar Corp.	4.750%	4/1/21	740	783
	Lennar Corp.	4.125%	1/15/22	1,015	1,048
	Lennar Corp.	4.875%	12/15/23	625	660
	Lennar Corp.	4.500%	4/30/24	2,075	2,145
	Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,219
	Penske Automotive Group Inc.	5.750%	10/1/22	387	399
	Penske Automotive Group Inc.	5.375%	12/1/24	1,113	1,117
	PulteGroup Inc.	5.000%	1/15/27	130	133
	Service Corp. International	8.000%	11/15/21	1,225	1,448
	Service Corp. International	5.375%	1/15/22	905	930
3	ServiceMaster Co. LLC	5.125%	11/15/24	1,770	1,832
3	Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	462
3	Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	463
	Toll Brothers Finance Corp.	4.875%	11/15/25	295	306
	Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	2,014
	William Lyon Homes Inc.	7.000%	8/15/22	450	467
	William Lyon Homes Inc.	5.875%	1/31/25	1,155	1,190
3	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.250%	5/15/27	1,510	1,542
3	ZF North America Capital Inc.	4.500%	4/29/22	470	494
3	ZF North America Capital Inc.	4.750%	4/29/25	1,725	1,811
	Consumer Noncyclical (12.8%)				
	Alere Inc.	6.500%	6/15/20	481	489
3	Alere Inc.	6.375%	7/1/23	1,135	1,222
	Aramark Services Inc.	5.125%	1/15/24	975	1,024
3	Aramark Services Inc.	5.000%	4/1/25	1,400	1,479
	Aramark Services Inc.	4.750%	6/1/26	580	600
3	Capsugel SA	7.000%	5/15/19	1,155	1,155
3	Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	1,425	1,459
	CHS/Community Health Systems Inc.	7.125%	7/15/20	1,060	1,033
	CHS/Community Health Systems Inc.	5.125%	8/1/21	525	534
	CHS/Community Health Systems Inc.	6.875%	2/1/22	5,455	4,759
	CHS/Community Health Systems Inc.	6.250%	3/31/23	3,450	3,571
1,3	Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,340
3	Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,515	2,113
3	Envision Healthcare Corp.	5.125%	7/1/22	2,806	2,876
	Envision Healthcare Corp.	5.625%	7/15/22	2,645	2,744
	HCA Holdings Inc.	6.250%	2/15/21	1,020	1,114
	HCA Inc.	6.500%	2/15/20	3,875	4,229
	HCA Inc.	5.875%	3/15/22	1,850	2,051
	HCA Inc.	4.750%	5/1/23	2,100	2,221
	HCA Inc.	5.875%	5/1/23	300	326
	HCA Inc.	5.375%	2/1/25	505	533
	HCA Inc.	5.250%	4/15/25	1,500	1,616
	HCA Inc.	7.690%	6/15/25	130	151
	HCA Inc.	5.875%	2/15/26	1,900	2,052
	HCA Inc.	5.250%	6/15/26	975	1,053
3	inVentiv Group Holdings Inc/inVentiv Health Inc/inVentiv Health Clinical Inc.	7.500%	10/1/24	795	864

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	Kinetic Concepts Inc / KCI USA Inc.	7.875%	2/15/21	1,570	1,664
3	Lamb Weston Holdings Inc.	4.625%	11/1/24	1,040	1,071
3	Lamb Weston Holdings Inc.	4.875%	11/1/26	1,040	1,071
1,7	Lands' End, Inc. Bank Loan	4.476%	3/12/21	3,077	2,592
	LifePoint Health Inc.	5.375%	5/1/24	1,463	1,514
3	MEDNAX Inc.	5.250%	12/1/23	580	599
3	MPH Acquisition Holdings LLC	7.125%	6/1/24	1,590	1,697
3	Post Holdings Inc.	5.500%	3/1/25	795	820
3	Post Holdings Inc.	5.000%	8/15/26	3,215	3,207
3	Post Holdings Inc.	5.750%	3/1/27	665	686
3	Quintiles IMS Inc.	5.000%	10/15/26	1,130	1,164
3	Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	771
	Revlon Consumer Products Corp	6.250%	8/1/24	2,130	1,848
	Revlon Consumer Products Corp.	5.750%	2/15/21	570	524
1,7	Revlon Consumer Products Corp. Bank Loan	4.726%	9/7/23	176	163
1,7	Revlon Consumer Products Corp. Bank Loan	4.726%	9/7/23	597	555
1,7	Revlon Consumer Products Corp. Bank Loan	4.726%	9/7/23	14	13
3	Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,915	1,968
3	Sterigenics-Nordion Topco LLC	8.125%	11/1/21	600	615
	Tenet Healthcare Corp.	5.000%	3/1/19	1,560	1,636
	Tenet Healthcare Corp.	5.500%	3/1/19	785	814
	Tenet Healthcare Corp.	4.750%	6/1/20	835	866
	Tenet Healthcare Corp.	4.500%	4/1/21	932	949
	Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,573
3	Tenet Healthcare Corp.	7.500%	1/1/22	265	287
	Tenet Healthcare Corp.	8.125%	4/1/22	2,830	3,007
3	Tenet Healthcare Corp.	4.625%	7/15/24	124	124
	THC Escrow Corp. II	6.750%	6/15/23	595	593
3	THC Escrow Corp. III	4.625%	7/15/24	155	155
3	Valeant Pharmaceuticals International Inc.	5.375%	3/15/20	2,445	2,356
3	Valeant Pharmaceuticals International Inc.	6.375%	10/15/20	1,550	1,503
3	Valeant Pharmaceuticals International Inc.	6.500%	3/15/22	620	650
3	Valeant Pharmaceuticals International Inc.	7.000%	3/15/24	1,390	1,465
3	Vizient Inc.	10.375%	3/1/24	1,225	1,412
3	VRX Escrow Corp.	6.125%	4/15/25	2,100	1,780
	Energy (13.2%)				
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,437
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,395	1,430
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	629
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,773
	Anadarko Petroleum Corp.	5.550%	3/15/26	145	162
	Anadarko Petroleum Corp.	6.200%	3/15/40	731	837
	Anadarko Petroleum Corp.	6.600%	3/15/46	240	295
	Antero Resources Corp.	5.125%	12/1/22	1,445	1,449
3	Cheniere Corpus Christi Holdings LLC	5.125%	6/30/27	1,130	1,158
3	Chesapeake Energy Corp.	8.000%	6/15/27	1,240	1,218
	Concho Resources Inc.	5.500%	10/1/22	2,440	2,513
	Concho Resources Inc.	5.500%	4/1/23	1,150	1,184
	Continental Resources Inc.	5.000%	9/15/22	3,354	3,295
	Continental Resources Inc.	4.500%	4/15/23	2,280	2,177
	Continental Resources Inc.	3.800%	6/1/24	505	463
	Continental Resources Inc.	4.900%	6/1/44	706	593
3	DCP Midstream LLC	9.750%	3/15/19	450	503
3	DCP Midstream LLC	5.350%	3/15/20	335	349
	DCP Midstream Operating LP	2.700%	4/1/19	600	595
3	DCP Midstream Operating LP	4.750%	9/30/21	597	606
	DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,458
	DCP Midstream Operating LP	3.875%	3/15/23	801	773
	DCP Midstream Operating LP	5.600%	4/1/44	875	814

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	Diamondback Energy Inc.	4.750%	11/1/24	175	175
3	Diamondback Energy Inc.	5.375%	5/31/25	1,430	1,466
	Energy Transfer Equity LP	7.500%	10/15/20	2,460	2,755
	Energy Transfer Equity LP	5.875%	1/15/24	1,596	1,688
	Energy Transfer Equity LP	5.500%	6/1/27	2,430	2,515
	Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,560	2,419
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	1/15/22	474	446
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	6/15/23	769	719
	Kerr-McGee Corp.	6.950%	7/1/24	985	1,157
	Kinder Morgan Inc.	7.750%	1/15/32	740	936
	Laredo Petroleum Inc.	5.625%	1/15/22	1,987	1,937
	Laredo Petroleum Inc.	7.375%	5/1/22	550	558
	Laredo Petroleum Inc.	6.250%	3/15/23	2,158	2,142
	Marathon Oil Corp.	3.850%	6/1/25	1,190	1,163
	Marathon Oil Corp.	6.800%	3/15/32	250	279
	Marathon Oil Corp.	6.600%	10/1/37	300	331
	Marathon Oil Corp.	5.200%	6/1/45	395	380
	Matador Resources Co.	6.875%	4/15/23	3,090	3,187
3	MEG Energy Corp.	6.375%	1/30/23	850	657
3	MEG Energy Corp.	7.000%	3/31/24	1,439	1,108
3	MEG Energy Corp.	6.500%	1/15/25	2,850	2,593
	MPLX LP	4.875%	12/1/24	1,410	1,505
	MPLX LP	4.875%	6/1/25	2,685	2,859
	Newfield Exploration Co.	5.625%	7/1/24	600	625
3	Parsley Energy LLC / Parsley Finance Corp.	5.375%	1/15/25	1,065	1,073
3	Parsley Energy LLC / Parsley Finance Corp.	5.250%	8/15/25	190	190
	QEP Resources Inc.	6.800%	3/1/20	220	228
	QEP Resources Inc.	6.875%	3/1/21	913	947
	QEP Resources Inc.	5.375%	10/1/22	670	647
	QEP Resources Inc.	5.250%	5/1/23	1,262	1,199
	Rice Energy Inc.	7.250%	5/1/23	1,040	1,121
3	RSP Permian Inc.	5.250%	1/15/25	900	901
	Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,406
	SM Energy Co.	6.500%	11/15/21	100	97
	SM Energy Co.	6.125%	11/15/22	935	888
	SM Energy Co.	6.500%	1/1/23	75	72
	SM Energy Co.	5.000%	1/15/24	1,994	1,765
	SM Energy Co.	5.625%	6/1/25	1,151	1,036
	SM Energy Co.	6.750%	9/15/26	500	476
3	Southern Star Central Corp.	5.125%	7/15/22	480	488
	Tesoro Corp.	5.125%	4/1/24	996	1,053
3	Tesoro Corp.	5.125%	12/15/26	665	722
	Tesoro Logistics LP / Tesoro Logistics Finance Corp.	5.500%	10/15/19	165	174
	Tesoro Logistics LP / Tesoro Logistics Finance Corp.	6.250%	10/15/22	1,120	1,190
	esoro Logistics LP / Tesoro Logistics Finance Corp.	6.375%	5/1/24	1,280	1,382
	Tesoro Logistics LP / Tesoro Logistics Finance Corp.	5.250%	1/15/25	1,510	1,585
	Weatherford International Ltd.	7.000%	3/15/38	517	445
	Weatherford International Ltd.	6.750%	9/15/40	1,918	1,640
	Weatherford International Ltd.	5.950%	4/15/42	1,215	963
	Williams Cos. Inc.	7.875%	9/1/21	510	592
	Williams Cos. Inc.	3.700%	1/15/23	1,225	1,209
	Williams Cos. Inc.	4.550%	6/24/24	681	699
	Williams Cos. Inc.	5.750%	6/24/44	825	850
	WPX Energy Inc.	6.000%	1/15/22	2,706	2,672
	WPX Energy Inc.	5.250%	9/15/24	3,354	3,195
	Other Industrial (0.1%)				
3	Brand Energy & Infrastructure Services Inc.	8.500%	7/15/25	1,020	1,060
	Technology (7.2%)				
	Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,585
	Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,505	2,931
3	Camelot Finance SA	7.875%	10/15/24	1,614	1,747
3	CDK Global Inc.	4.875%	6/1/27	585	598

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	CDW LLC / CDW Finance Corp.	5.000%	9/1/23	730	760
	CDW LLC / CDW Finance Corp.	5.500%	12/1/24	485	525
	CDW LLC / CDW Finance Corp.	5.000%	9/1/25	760	788
	Equinix Inc.	5.375%	4/1/23	680	708
	Equinix Inc.	5.875%	1/15/26	370	403
	Equinix Inc.	5.375%	5/15/27	780	833
3	First Data Corp.	5.375%	8/15/23	2,265	2,367
3	First Data Corp.	7.000%	12/1/23	5,565	5,941
3	First Data Corp.	5.000%	1/15/24	1,500	1,541
3	First Data Corp.	5.750%	1/15/24	3,901	4,057
1,7	First Data Corp. Bank Loan	0.000%	7/8/22	590	589
	Infor US Inc.	6.500%	5/15/22	3,060	3,159
	Iron Mountain Inc.	5.750%	8/15/24	925	945
3	MSCI Inc.	5.250%	11/15/24	395	421
3	MSCI Inc.	5.750%	8/15/25	1,560	1,685
3	MSCI Inc.	4.750%	8/1/26	510	524
	NCR Corp.	4.625%	2/15/21	2,375	2,425
	NCR Corp.	5.875%	12/15/21	145	151
	NCR Corp.	5.000%	7/15/22	600	613
	NCR Corp.	6.375%	12/15/23	455	488
	Nokia Oyj	6.625%	5/15/39	3,550	4,082
3	Open Text Corp.	5.625%	1/15/23	1,070	1,118
3	Open Text Corp.	5.875%	6/1/26	1,345	1,443
3	Sensata Technologies BV	5.625%	11/1/24	575	617
3	Sensata Technologies BV	5.000%	10/1/25	1,625	1,698
3	Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,657
	SS&C Technologies Holdings Inc.	5.875%	7/15/23	890	946
3	Symantec Corp.	5.000%	4/15/25	1,920	2,008
	Transportation (1.8%)				
3	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.125%	6/1/22	1,876	1,857
	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,328	2,311
3	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	580	579
2	Continental Airlines 2007-1 Class B Pass Through Trust	6.903%	4/19/22	239	251
	Hertz Corp.	6.750%	4/15/19	720	720
	Hertz Corp.	5.875%	10/15/20	1,330	1,283
	Hertz Corp.	7.375%	1/15/21	2,230	2,152
3	Hertz Corp.	7.625%	6/1/22	830	829
3	Hertz Corp.	5.500%	10/15/24	3,240	2,657
					577,829
	Utilities (1.4%)				
	Electric (1.4%)				
	AES Corp.	4.875%	5/15/23	600	611
	AES Corp.	5.500%	3/15/24	3,926	4,098
	AES Corp.	5.500%	4/15/25	150	157
	NRG Energy Inc.	7.875%	5/15/21	44	46
	NRG Energy Inc.	6.250%	7/15/22	1,544	1,583
	NRG Energy Inc.	6.625%	3/15/23	300	308
	NRG Energy Inc.	6.250%	5/1/24	1,416	1,434
	NRG Energy Inc.	7.250%	5/15/26	1,425	1,471
					9,708
	Total Corporate Bonds (Cost $628,986)				650,145

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Temporary Cash Investment (3.8%)				
Repurchase Agreement (3.8%)				
Bank of America Securities, LLC (Dated 6/30/17, Repurchase Value $26,402,000, collateralized by Government National Mortgage Assn. 3.500%, 2/20/47, with a value of $26,928,000) (Cost $26,400)	1.090%	7/3/17	26,400	26,400
Total Investments (98.8%) (Cost $655,386)				676,545

	Amount ($000)
Other Assets and Liabilities (1.2%)	
Other Assets	
Investment in Vanguard	45
Receivables for Investment Securities Sold	671
Receivables for Accrued Income	10,104
Receivables for Capital Shares Issued	328
Other Assets[8]	655
Total Other Assets	11,803
Liabilities	
Payables for Investment Securities Purchased	(1,240)
Payables for Capital Shares Redeemed	(443)
Payables to Vanguard	(937)
Other Liabilities	(855)
Total Liabilities	(3,475)
Net Assets (100%)	
Applicable to 85,907,137 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	684,873
Net Asset Value Per Share	$7.97

At June 30, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	657,939
Undistributed Net Investment Income	15,740
Accumulated Net Realized Losses	(9,879)
Unrealized Appreciation (Depreciation)	
Investment Securities	21,159
Swap Contracts	8
Forward Currency Contracts	(96)
Foreign Currencies	2
Net Assets	684,873

• See Note A in Notes to Financial Statements.

1 Adjustable-rate security.

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 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, 2017, the aggregate value of these securities was $249,962,000, representing 36.5% of net assets.

4 Security made only partial principal and/or interest payments during the period ended June 30, 2017.

5 Face amount denominated in euro.

6 Face amount denominated in British pounds.

7 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, 2017, the aggregate value of these securities was $10,890,000, representing 1.6% of net assets.

8 Cash of $635,000 has been segregated as initial margin for open cleared swap contracts.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2017
	($000)
Investment Income	
Income	
Interest	18,103
Total Income	18,103
Expenses	
Investment Advisory Fees—Note B	196
The Vanguard Group—Note C	
Management and Administrative	635
Marketing and Distribution	52
Custodian Fees	12
Shareholders' Reports	20
Trustees' Fees and Expenses	1
Total Expenses	916
Net Investment Income	**17,187**
Realized Net Gain (Loss)	
Investment Securities Sold	1,451
Swap Contracts	169
Foreign Currencies and Forward Currency Contracts	(322)
Realized Net Gain (Loss)	**1,298**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	12,624
Swap Contracts	(17)
Foreign Currencies and Forward Currency Contracts	(53)
Change in Unrealized Appreciation (Depreciation)	**12,554**
Net Increase (Decrease) in Net Assets Resulting from Operations	**31,039**

Statement of Changes in Net Assets

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	17,187	30,829
Realized Net Gain (Loss)	1,298	(10,782)
Change in Unrealized Appreciation (Depreciation)	12,554	40,221
Net Increase (Decrease) in Net Assets Resulting from Operations	31,039	60,268
Distributions		
Net Investment Income	(31,351)	(29,106)
Realized Capital Gain[1]	—	—
Total Distributions	(31,351)	(29,106)
Capital Share Transactions		
Issued	71,250	127,974
Issued in Lieu of Cash Distributions	31,351	29,106
Redeemed	(39,585)	(86,704)
Net Increase (Decrease) from Capital Share Transactions	63,016	70,376
Total Increase (Decrease)	62,704	101,538
Net Assets		
Beginning of Period	**622,169**	**520,631**
End of Period[1]	**684,873**	**622,169**

1 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $15,740,000 and $30,520,000.

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, 2017	Year Ended December 31, 2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	**$7.99**	**$7.59**	**$8.14**	**$8.24**	**$8.33**	**$7.72**
Investment Operations						
Net Investment Income	.196	.397	.427	.416	.458	.420
Net Realized and Unrealized Gain (Loss) on Investments	.182	.426	(.541)	(.061)	(.108)	.641
Total from Investment Operations	.378	.823	(.114)	.355	.350	1.061
Distributions						
Dividends from Net Investment Income	(.398)	(.423)	(.423)	(.455)	(.440)	(.451)
Distributions from Realized Capital Gains	—	—	(.013)	—	—	—
Total Distributions	(.398)	(.423)	(.436)	(.455)	(.440)	(.451)
Net Asset Value, End of Period	**$7.97**	**$7.99**	**$7.59**	**$8.14**	**$8.24**	**$8.33**
Total Return	**4.90%**	**11.35%**	**-1.58%**	**4.40%**	**4.35%**	**14.30%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$685	$622	$521	$534	$509	$546
Ratio of Total Expenses to Average Net Assets	0.28%	0.28%	0.28%	0.29%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.32%	5.44%	5.41%	5.24%	5.51%	6.10%
Portfolio Turnover Rate	33%	27%	38%	35%	37%	29%

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 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. 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. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. 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, 2017, 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 absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. 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, 2017, the portfolio's average amounts of investments in credit protection sold and credit protection purchased represented less than 1% and 0% of net assets, respectively, based on the average of notional amounts at each quarter-end during the period.

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, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. 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, 2013–2016), and for the period ended June 30, 2017, 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, 2017, or at any time during the period then ended.

9. Other: Dividend income is recorded on the ex-dividend date. 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, 2017, 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, 2017, the portfolio had contributed to Vanguard capital in the amount of $45,000 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, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Corporate Bonds	—	650,145	—
Temporary Cash Investments	—	26,400	—
Forward Currency Contracts—Liabilities	—	(96)	—
Swap Contracts—Assets[1]	20	—	—
Total	20	676,449	—

1 Represents variation margin on the last day of the reporting period.

E. At June 30, 2017, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Foreign Exchange Contracts ($000)	Credit Contracts ($000)	Total ($000)
Other Assets	—	20	20
Other Liabilities	(96)	—	(96)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2017, were:

Realized Net Gain (Loss) on Derivatives	Foreign Exchange Contracts ($000)	Credit Contracts ($000)	Total ($000)
Forward Currency Contracts	(369)	—	(369)
Swap Contracts	—	169	169
Realized Net Gain (Loss) on Derivatives	(369)	169	200
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	(57)	—	(57)
Swap Contracts	—	(17)	(17)
Change in Unrealized Appreciation (Depreciation) on Derivatives	(57)	(17)	(74)

At June 30, 2017, 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.

		Contract Amount (000)				
Counterparty	Contract Settlement Date		Receive		Deliver	Unrealized Appreciation (Depreciation) ($000)
Barclays Capital	7/31/17	USD	158	GBP	124	(3)
Citibank N.A.	7/31/17	USD	4,808	EUR	4,284	(93)
						(96)

EUR—Euro.
GBP—British pound.
USD—U.S. dollar.

At June 30, 2017, the portfolio had the following open swap contracts:

Centrally Cleared Credit Default Swaps

Reference Entity	Termination Date	Counterparty	Notional Amount ($000)	Remaining Up-Front Premium Received (Paid) ($000)	Periodic Premium Received (Paid) (%)	Unrealized Appreciation (Depreciation) ($000)
Credit Protection Sold						
CDX-NA-HY-S28-V1-5Y	6/20/22	ICE	10,000	—	5.000	8

ICE—Intercontinental Exchange.

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, 2017, the portfolio realized net foreign currency gains of $728,000 (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.

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, 2016, the portfolio had available capital losses totaling $11,591,000 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, 2017; should the portfolio realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At June 30, 2017, the cost of investment securities for tax purposes was $655,386,000. Net unrealized appreciation of investment securities for tax purposes was $21,159,000, consisting of unrealized gains of $29,372,000 on securities that had risen in value since their purchase and $8,213,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2017, the portfolio purchased $135,544,000 of investment securities and sold $96,992,000 of investment securities, other than U.S. government securities and temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	Shares (000)	Shares (000)
Issued	8,944	16,586
Issued in Lieu of Cash Distributions	4,066	3,976
Redeemed	(4,949)	(11,309)
Net Increase (Decrease) in Shares Outstanding	8,061	9,253

At June 30, 2017, 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 52% 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, 2017, 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, 2017

High Yield Bond Portfolio	Beginning Account Value 12/31/2016	Ending Account Value 6/30/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,048.99	$2.87
Based on Hypothetical 5% Yearly Return	1,000.00	1,021.99	2.83

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 (181/365).

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. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also 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. The advisor 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 compared with a relevant 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 for this portfolio.

The board did not consider the 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.

Vanguard High Yield Bond Portfolio is not sponsored, endorsed, issued, sold or promoted by Barclays Risk Analytics and Index Solutions Limited or any of its affiliates ("Barclays"). Barclays makes no representation or warranty, express or implied, to the owners or purchasers of Vanguard High Yield Bond Portfolio or any member of the public regarding the advisability of investing in securities generally or in Vanguard High Yield Bond Portfolio particularly or the ability of the Barclays Index to track general bond market performance. Barclays has not passed on the legality or suitability of Vanguard High Yield Bond Portfolio with respect to any person or entity. Barclays' only relationship to Vanguard and Vanguard High Yield Bond Portfolio is the licensing of the Barclays Index which is determined, composed and calculated by Barclays without regard to Vanguard or Vanguard High Yield Bond Portfolio or any owners or purchasers of Vanguard High Yield Bond Portfolio. Barclays has no obligation to take the needs of Vanguard, Vanguard High Yield Bond Portfolio or the owners of Vanguard High Yield Bond Portfolio into consideration in determining, composing or calculating the Barclays Index. Barclays is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of Vanguard High Yield Bond Portfolio to be issued. Barclays has no obligation or liability in connection with the administration, marketing or trading of Vanguard High Yield Bond Portfolio.

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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 197 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. 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 email 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, 2017

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

See the Glossary for definitions of investment terms used in this report.

About the cover: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

A Message from Vanguard's Chairman

Dear Planholder,

More than a decade ago, the eminent investor and commentator Howard Marks published a memo to his clients titled simply "Risk." In it, Howard distilled the relationship between investors and risk. "When you boil it all down, it's the investor's job to intelligently bear risk for profit," he wrote.

It's not surprising, then, that everyone from portfolio managers to behavioral economists avidly studies how investors' reactions to risk influence not only individual investment decisions but also the broader financial markets. I'm a big fan of some of the behavioral finance work being done, which includes studies by our own investment strategists and analysts.

A lens on investor behavior

For example, Vanguard's Investment Strategy Group introduced a "risk speedometers" report in January to look at how investors are reacting to market developments. This lens on real-world behavior measures the risk investors are taking in a given period by calculating the difference between net cash flows into higher-risk assets, such as stocks, and net cash flows into lower-risk assets, such as Treasuries. The measures are then compared with long-term averages.

In the spring, the risk speedometer spiked. The spike was fueled by investors' decisions to direct more of their equity dollars to international investments in developed and emerging markets, and their bond dollars to riskier credit categories.

A spiking speedometer seems a fitting analogy for what can happen. I consider myself a responsible driver. Still, when the highway is clear and the weather is nice, I might glance down at the speedometer and find that my right foot has gotten a little heavy.

The same phenomenon is possible with our investment portfolios. Just as our attention can drift from our speed—and the risk level on the road—we can neglect the risk level of our portfolio's asset allocation. Experience teaches that investors are especially prone to lose sight of risk when markets have been buoyant.

How I manage risk in my own portfolio

Rebalancing—periodically adjusting your asset allocation so it stays in line with your goals and risk tolerance—is one of the best ways I know of to help manage risk. Without rebalancing, your portfolio may end up potentially riskier than you intended and no longer aligned with your goals.

I have a ritual I perform every June and again each December, between Christmas and New Year's, as I prepare for a series of annual meetings with the Vanguard crew. I'll set aside some time, review my investment portfolio, and, if necessary, rebalance back to my target asset allocation.

My own portfolio is a mix of equity and fixed income funds, and I invest in both actively managed funds and index funds. Most years, I'll make a minor adjustment to get back to the appropriate asset allocation for my own longer-term goals and risk tolerance. It's not all that complicated, although my portfolio is a little more complex than some because I own more funds than we'd typically suggest. As chairman of Vanguard's funds, I feel I should own a significant number of them.

Consider your options

You should consider rebalancing if your target allocation is off by 5 percentage points or more. Admittedly, this is often easier said than done. When an investment has performed exceptionally well, people have a hard time trimming it. They can be led astray by that old (and none-too-helpful) investing saw: Let your winners run.

Fortunately, in recent years we've seen all sorts of investors take steps to rebalance. Many of the endowments, foundations, and traditional pension plans that Vanguard serves have good processes built into their investment guidelines to make sure rebalancing takes place on a regular basis. And among investors in defined contribution retirement plans, more and more are using target-date funds, where rebalancing happens automatically.

If you choose to rebalance on your own, use your target asset allocation as your guidepost. Don't be afraid to buy into bad news. In a sense, don't worry about the noise of the marketplace. If you work with an advisor, make sure he or she understands the importance you place on your rebalancing ritual.

And remember, the goal of rebalancing is to manage risk, not to avoid it altogether. Risk is inherent in investing—we just want to bear that risk intelligently.

In that insightful memo on risk, Howard Marks included a saying often attributed to Will Rogers: "You've got to go out on a limb sometimes because that's where the fruit is."

Tim Buckley chosen as Vanguard's next CEO

In closing, I'll note senior leadership changes that we announced in July. Our board of directors has elected Vanguard Chief Investment Officer Tim Buckley as president and director of Vanguard. Under the planned transition, Tim will succeed me as Vanguard's chief executive officer on January 1, 2018.

I'm delighted with our board's selection of Tim. We first met in 1991 when Tim was interviewing for a job at Vanguard. In the decades since, we've worked closely together, and he's always impressed me as a man of tremendous character and an outstanding leader with a passion for serving our clients. During the transition period, I will work closely with Tim in managing the firm and overseeing its operations.

Replacing Tim as chief investment officer is Greg Davis, who had been global head of Vanguard Fixed Income Group. And succeeding Greg as our fixed income leader is John Hollyer, who most recently served as our global head of investment risk management. I know Greg and John will both do a superb job in their new roles.

As with past successions, I will remain as chairman for a period of time determined by the board. On a personal note, it has been an honor and a privilege to lead Vanguard. Having spent more than half my life at Vanguard, I have come to know many fabulous crew members who are incredibly dedicated to Vanguard's mission. Please be assured that Tim and the rest of the team will serve you and our other clients extremely well as Vanguard prepares for its next chapter.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2017

Market Perspective

U.S. stocks posted strong gains as corporate earnings increased

U.S. stocks climbed steadily over the six months ended June 30, 2017, and hovered near all-time highs as investors accepted risk, corporate earnings exceeded expectations, and stock valuations increased. Volatility was generally muted. Also, the Federal Reserve's gradual short-term interest rate increases and its plans to reduce its balance sheet didn't disrupt markets.

The Fed's move in June to raise the federal funds target rate by a quarter of a percentage point, to 1%–1.25%, was its second increase in 2017 and its fourth since it began raising the rate at the end of 2015. In announcing the change, Fed Chairwoman Janet Yellen noted the economy's resilience.

The broad U.S. stock market returned 8.93% for the six months. U.S. large- and mid-capitalization stocks outperformed their small-cap counterparts, while growth surpassed value. Among sectors, health care, information technology, and industrials climbed the most and energy and telecommunication services lagged.

For U.S. investors, a weaker dollar boosted international stocks, which returned 13.95%. Developed European and Pacific markets, as well as emerging markets, produced double-digit returns.

Bond prices benefited from monetary stimulus programs

Demand for bonds helped drive global fixed income returns higher even as investors flocked to equities. After a short-term rebound, inflation expectations declined, contributing to lower yields for longer-dated U.S. Treasuries and higher bond prices. (Bond prices and yields move in opposite directions.) Accommodative monetary policies also supported bond prices, although indications that the European Central Bank might reduce its bond-buying stimulus sooner than expected led to a sharp price decline over the period's final week.

The yield of the benchmark 10-year Treasury note closed the period at 2.30%, down from 2.45% at the end of December 2016. The broad U.S. bond market returned 2.27% for the period. Investment-grade corporate bonds outpaced Treasuries and mortgage-backed securities.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 6.12%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds and finished with gains of less than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.27%	18.03%	14.67%
Russell 2000 Index (Small-caps)	4.99	24.60	13.70
Russell 3000 Index (Broad U.S. market)	8.93	18.51	14.58
FTSE All-World ex US Index (International)	13.95	20.53	7.68
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.27%	-0.31%	2.21%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.57	-0.49	3.26
Citigroup Three-Month U.S. Treasury Bill Index	0.30	0.46	0.13
CPI			
Consumer Price Index	1.46%	1.63%	1.31%

Vanguard® Mid-Cap Index Portfolio

U.S. stocks posted impressive returns over the first half of 2017 as the economy continued to grow, more workers found jobs, corporate earnings improved, and investors were hopeful about prospects for infrastructure spending. With the exception of the end of the period, volatility remained muted.

For the six months ended June 30, 2017, Vanguard Mid-Cap Index Portfolio returned 9.04%, in line with its benchmark index and more than 3 percentage points ahead of the average return of its peers.

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.

A wide variety of sectors registered robust returns

Vanguard Mid-Cap Index Portfolio offers investors broad exposure to the hundreds of mid-capitalization stocks in the U.S. equity market. Stocks of every style and from every industry sector are represented. Over the period, large-cap stocks outpaced mid- and small-caps, and growth stocks outperformed their value counterparts.

Nine of the ten sectors in the portfolio posted gains. The largest portion of returns came from technology companies (+18%), as investors expected rising demand for both hardware and software products. Semiconductor makers were particularly in favor, with returns from some stocks north of 50%.

Health care (+21%), a smaller sector, generated the highest total return, led by companies focused on equipment and supplies. The often-volatile biotechnology subsector was another standout.

Strong performance from banks, financial service firms, and insurance providers helped the portfolio's largest sector, financials (+8%). These stocks benefited from the prospect of rising interest rates, which typically boost profits from bank loans and aid insurers' investment returns.

Other favorable results came from industrials (+10%), with electronic and electrical equipment faring best. Consumer goods (+9%) also did well, led by home builders, household goods, and leisure products.

Results were positive but generally more modest for basic materials, utilities, and consumer services companies. One notable performer was the consumer services' travel and leisure subsector, where airline, hotel, and cruise line stocks notched returns exceeding 50%.

Oil and gas (–14%), the only sector to post a negative return for the period, was hurt by a decline in oil and natural gas prices.

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer you will be asked to vote on the election of trustees for all U.S.-domiciled Vanguard funds. Shareholders will also be asked to vote on several fund policy proposals that we believe are in the best interests of all shareholders.

Vanguard filed a preliminary proxy statement on July 13, 2017, with the U.S. Securities and Exchange Commission (SEC). Following the SEC's review, we expect to provide the proxy materials to Vanguard fund shareholders beginning in late August 2017. That's when you can begin to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

Total Returns

	Six Months Ended June 30, 2017
Vanguard Mid-Cap Index Portfolio	9.04%
CRSP US Mid Cap Index	9.17
Variable Insurance Mid-Cap Core Funds Average[1]	5.28

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Multi-Cap Core Funds Average
Mid-Cap Index Portfolio	0.19%	0.80%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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 2016.

Portfolio Profile

As of June 30, 2017

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	338	339	3,800
Median Market Cap	$13.2B	$13.2B	$59.8B
Price/Earnings Ratio	22.6x	22.6x	21.2x
Price/Book Ratio	2.7x	2.7x	2.9x
Yield[3]	1.53%	1.53%	1.84%
Return on Equity	23.7%	13.1%	16.3%
Earnings Growth Rate	9.9%	9.9%	10%
Foreign Holdings	0.3%	0%	0%
Turnover Rate[4]	16%	—	—
Expense Ratio[5]	0.19%	—	—
Short-Term Reserves	0.2%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.94
Beta	1.00	1.03

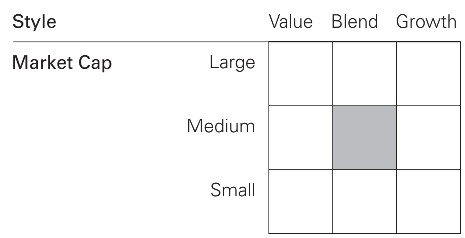
Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Basic Materials	4.1%	4.1%	2.6%
Consumer Goods	12.3	12.3	9.7
Consumer Services	11.3	11.3	13.1
Financials	22.8	22.8	20.4
Health Care	8.9	8.9	13.1
Industrials	16.7	16.7	12.9
Oil & Gas	4.3	4.3	5.5
Technology	13.3	13.3	17.5
Telecommunications	1.0	1.0	2.0
Utilities	5.3	5.3	3.2

Ten Largest Holdings[6] (% of total net assets)

Fiserv Inc.	Financial Administration	0.7%
Newell Brands Inc.	Durable Household Products	0.7
Western Digital Corp.	Computer Hardware	0.7
Edwards Lifesciences Corp.	Medical Supplies	0.7
Roper Technologies Inc.	Electronic Equipment	0.7
CR Bard Inc.	Medical Supplies	0.7
Lam Research Corp.	Semiconductors	0.7
Amphenol Corp.	Electrical Components & Equipment	0.6
M&T Bank Corp.	Banks	0.6
Incyte Corp.	Biotechnology	0.6
Top Ten		6.7%

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.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

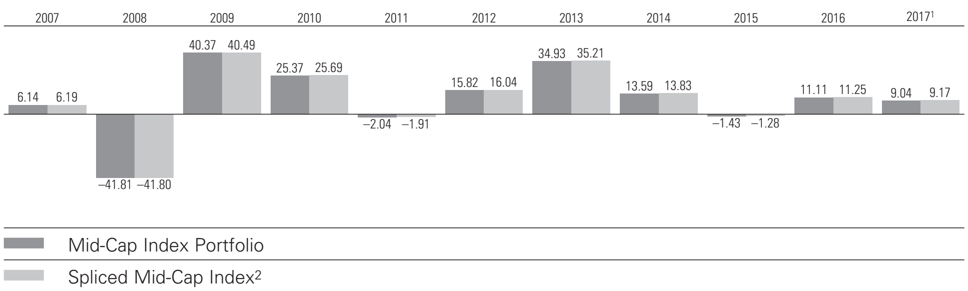
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, the annualized expense ratio was 0.19%.
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, 2006–June 30, 2017



Average Annual Total Returns: Periods Ended June 30, 2017

	Inception Date	One Year	Five Years	Ten Years
Mid-Cap Index Portfolio	2/9/1999	17.08%	14.62%	7.36%

1 Six months ended June 30, 2017.
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, 2017

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 (99.8%)[1]		
	Basic Materials (4.1%)		
	Newmont Mining Corp.	248,627	8,053
*	Freeport-McMoRan Inc.	607,038	7,290
	Celanese Corp. Class A	65,041	6,175
	Albemarle Corp.	51,664	5,453
	Eastman Chemical Co.	61,261	5,145
	International Flavors & Fragrances Inc.	36,813	4,970
	Arconic Inc.	205,203	4,648
	FMC Corp.	62,362	4,556
	Mosaic Co.	163,349	3,729
	Avery Dennison Corp.	41,262	3,646
*	Axalta Coating Systems Ltd.	101,399	3,249
	CF Industries Holdings Inc.	108,530	3,034
	Reliance Steel & Aluminum Co.	32,256	2,349
	WR Grace & Co.	31,816	2,291
*	Alcoa Corp.	42,867	1,400
	Westlake Chemical Corp.	18,102	1,198
			67,186
	Consumer Goods (12.3%)		
	Newell Brands Inc.	225,201	12,075
	Clorox Co.	59,982	7,992
	Dr Pepper Snapple Group Inc.	85,628	7,802
*	Electronic Arts Inc.	68,306	7,221
*	Mohawk Industries Inc.	29,448	7,117
	Conagra Brands Inc.	198,350	7,093
	Molson Coors Brewing Co. Class B	81,759	7,059
	Whirlpool Corp.	34,487	6,608
	Coach Inc.	130,864	6,195
	JM Smucker Co.	51,570	6,102
	Genuine Parts Co.	65,236	6,051
	Church & Dwight Co. Inc.	116,202	6,029
	Hasbro Inc.	52,434	5,847
	DR Horton Inc.	166,332	5,750
	Delphi Automotive plc	62,410	5,470
	McCormick & Co. Inc.	52,742	5,143
	Lennar Corp. Class A	94,167	5,021
	Bunge Ltd.	65,369	4,876
	Lear Corp.	32,081	4,558
*	LKQ Corp.	136,329	4,492
	Harley-Davidson Inc.	81,510	4,403
	Snap-on Inc.	27,021	4,269
	Tyson Foods Inc. Class A	67,141	4,205
	Hormel Foods Corp.	123,108	4,199
	BorgWarner Inc.	98,762	4,184
	PVH Corp.	36,297	4,156
*	NVR Inc.	1,660	4,002
	Leucadia National Corp.	150,722	3,943
	Hanesbrands Inc.	169,415	3,924
	Coty Inc. Class A	208,832	3,918
	Mattel Inc.	159,485	3,434
	PulteGroup Inc.	132,223	3,243
*	WABCO Holdings Inc.	23,962	3,055
	Lamb Weston Holdings Inc.	68,045	2,997
*	Lululemon Athletica Inc.	44,478	2,654
*	Michael Kors Holdings Ltd.	71,855	2,605
^	Polaris Industries Inc.	27,881	2,571
	Goodyear Tire & Rubber Co.	58,610	2,049
	Ingredion Inc.	16,758	1,998
	Ralph Lauren Corp. Class A	25,619	1,891
^,*	Under Armour Inc. Class A	85,970	1,871
*	Under Armour Inc.	87,491	1,764
*	Pilgrim's Pride Corp.	23,322	511
	Lennar Corp. Class B	4,820	217
			200,564
	Consumer Services (11.2%)		
	Royal Caribbean Cruises Ltd.	80,208	8,761
	Expedia Inc.	57,903	8,625
*	Ulta Beauty Inc.	27,523	7,909
	MGM Resorts International	241,101	7,544
*	Dollar Tree Inc.	104,783	7,326
	Best Buy Co. Inc.	121,831	6,985
	Nielsen Holdings plc	166,598	6,441
	Whole Foods Market Inc.	149,055	6,277
*	Chipotle Mexican Grill Inc. Class A	13,344	5,552
*	CarMax Inc.	86,399	5,448
	Ross Stores Inc.	91,261	5,269
	Darden Restaurants Inc.	57,876	5,234
	Tiffany & Co.	55,166	5,178
	Alaska Air Group Inc.	57,614	5,171
	Wynn Resorts Ltd.	38,192	5,122
	Wyndham Worldwide Corp.	48,595	4,879
*	United Continental Holdings Inc.	62,235	4,683
	Aramark	113,812	4,664
*	Liberty Interactive Corp. QVC Group Class A	186,738	4,583
	Interpublic Group of Cos. Inc.	183,943	4,525
*	Norwegian Cruise Line Holdings Ltd.	74,324	4,035
	Advance Auto Parts Inc.	32,634	3,805
	AmerisourceBergen Corp. Class A	38,108	3,602
	Macy's Inc.	142,068	3,302
	Tractor Supply Co.	59,969	3,251
*	Liberty Media Corp-Liberty SiriusXM	77,905	3,249
	News Corp. Class A	233,653	3,201
	Kohl's Corp.	80,146	3,099
	FactSet Research Systems Inc.	18,455	3,067
	Staples Inc.	304,014	3,061
	Foot Locker Inc.	61,097	3,011
	Viacom Inc. Class B	82,056	2,755
	Scripps Networks Interactive Inc. Class A	40,187	2,745
	Nordstrom Inc.	54,309	2,598
*	Discovery Communications Inc.	99,076	2,498
	Gap Inc.	111,824	2,459
	Domino's Pizza Inc.	11,189	2,367
	Bed Bath & Beyond Inc.	64,143	1,950
*	TripAdvisor Inc.	50,758	1,939
*	Discovery Communications Inc. Class A	71,562	1,848
*	Liberty Media Corp-Liberty SiriusXM	38,153	1,602
	H&R Block Inc.	48,235	1,491
	Signet Jewelers Ltd.	15,895	1,005
*	Hyatt Hotels Corp. Class A	15,430	867
*	AutoNation Inc.	16,441	693
	Viacom Inc. Class A	2,352	90
			183,766
	Financials (22.7%)		
	M&T Bank Corp.	64,509	10,447
	KeyCorp	510,969	9,576
	Moody's Corp.	75,865	9,231
	Hartford Financial Services Group Inc.	171,281	9,004
	Willis Towers Watson plc	59,924	8,717
	Principal Financial Group Inc.	134,405	8,611
	Citizens Financial Group Inc.	236,101	8,424
	Digital Realty Trust Inc.	74,424	8,406
	Regions Financial Corp.	560,373	8,204
	Essex Property Trust Inc.	30,577	7,867
	Equinix Inc.	18,165	7,796
	Equifax Inc.	56,002	7,696
*	SBA Communications Corp. Class A	56,536	7,627
	First Republic Bank	73,171	7,324
*	IHS Markit Ltd.	161,283	7,103
	Lincoln National Corp.	104,601	7,069
	Realty Income Corp.	127,326	7,026
	Huntington Bancshares Inc.	506,748	6,851
	Invesco Ltd.	189,707	6,676
	Host Hotels & Resorts Inc.	344,815	6,300
	AvalonBay Communities Inc.	32,122	6,173
	Comerica Inc.	82,422	6,037
*	Markel Corp.	6,168	6,019
	Annaly Capital Management Inc.	475,057	5,724
	Mid-America Apartment Communities Inc.	52,966	5,582
	FNF Group	120,457	5,400
*	Arch Capital Group Ltd.	57,243	5,340
	XL Group Ltd.	121,918	5,340
	Cincinnati Financial Corp.	72,877	5,280
	Alexandria Real Estate Equities Inc.	42,391	5,107
	SL Green Realty Corp.	47,415	5,017
	Unum Group	106,285	4,956
*	E*TRADE Financial Corp.	128,031	4,869
*	CBRE Group Inc. Class A	133,666	4,865
	UDR Inc.	124,447	4,850
	Raymond James Financial Inc.	60,357	4,842
	Arthur J Gallagher & Co.	83,554	4,783
	Duke Realty Corp.	165,545	4,627

		Shares	Market Value• ($000)
	Ally Financial Inc.	214,085	4,474
	Affiliated Managers Group Inc.	26,426	4,383
	MSCI Inc. Class A	42,213	4,348
	Extra Space Storage Inc.	55,733	4,347
*	Liberty Broadband Corp.	49,965	4,334
	Federal Realty Investment Trust	33,708	4,260
	Regency Centers Corp.	67,296	4,215
	Western Union Co.	219,703	4,185
	Zions Bancorporation	94,293	4,140
*	Alleghany Corp.	6,825	4,060
	Iron Mountain Inc.	116,812	4,014
	Torchmark Corp.	51,852	3,967
	Reinsurance Group of America Inc. Class A	29,974	3,848
	Nasdaq Inc.	53,806	3,847
	Macerich Co.	66,189	3,843
	VEREIT Inc.	453,423	3,691
	Everest Re Group Ltd.	14,340	3,651
	SEI Investments Co.	66,508	3,577
	AGNC Investment Corp.	165,515	3,524
	Camden Property Trust	40,819	3,490
	Kimco Realty Corp.	188,189	3,453
	CIT Group Inc.	67,682	3,296
	Voya Financial Inc.	86,514	3,191
	WR Berkley Corp.	42,401	2,933
	New York Community Bancorp Inc.	216,213	2,839
	People's United Financial Inc.	160,317	2,831
	Lazard Ltd. Class A	60,384	2,798
	Jones Lang LaSalle Inc.	21,140	2,642
	Axis Capital Holdings Ltd.	39,492	2,554
	Brixmor Property Group Inc.	141,952	2,538
*	Athene Holding Ltd. Class A	48,336	2,398
*	SVB Financial Group	12,269	2,157
	Assurant Inc.	12,864	1,334
*	Liberty Broadband Corp. Class A	11,712	1,005
	Invitation Homes Inc.	36,035	779
			371,712
Health Care (8.9%)			
*	Edwards Lifesciences Corp.	97,850	11,570
	CR Bard Inc.	33,754	10,670
*	Incyte Corp.	81,082	10,209
*	BioMarin Pharmaceutical Inc.	81,395	7,392
*	Laboratory Corp. of America Holdings	47,642	7,344
	Quest Diagnostics Inc.	63,874	7,100
	Dentsply Sirona Inc.	106,871	6,929
*	Henry Schein Inc.	36,988	6,770
*	IDEXX Laboratories Inc.	41,027	6,623
*	Waters Corp.	35,489	6,524
*	Centene Corp.	76,243	6,090
*	Quintiles IMS Holdings Inc.	66,646	5,965
*	Hologic Inc.	130,379	5,917
	Cooper Cos. Inc.	22,778	5,453
	ResMed Inc.	66,058	5,144
	Universal Health Services Inc. Class B	41,676	5,088
	Perrigo Co. plc	63,401	4,788
*	DaVita Inc.	72,596	4,701
*	Varian Medical Systems Inc.	42,925	4,429
*	Jazz Pharmaceuticals plc	26,617	4,139
*	Alkermes plc	71,322	4,135
*	Align Technology Inc.	16,821	2,525
*	Envision Healthcare Corp.	27,370	1,715
*	TESARO Inc.	8,790	1,229

		Shares	Market Value• ($000)
*	Seattle Genetics Inc.	21,600	1,118
*	Mallinckrodt plc	23,112	1,036
			144,603
Industrials (16.7%)			
*	Fiserv Inc.	99,035	12,116
	Roper Technologies Inc.	47,560	11,012
	Amphenol Corp. Class A	142,493	10,519
	Rockwell Collins Inc.	75,618	7,946
	Waste Connections Inc.	122,797	7,911
	Vulcan Materials Co.	61,580	7,801
*	Mettler-Toledo International Inc.	12,038	7,085
	Ball Corp.	163,758	6,912
	WestRock Co.	116,935	6,626
	Martin Marietta Materials Inc.	29,244	6,509
	AMETEK Inc.	107,296	6,499
	Global Payments Inc.	70,996	6,412
	Alliance Data Systems Corp.	24,664	6,331
*	FleetCor Technologies Inc.	43,037	6,206
*	Verisk Analytics Inc. Class A	73,169	6,173
	L3 Technologies Inc.	36,329	6,070
	TransDigm Group Inc.	21,830	5,869
	Fastenal Co.	134,697	5,863
	Dover Corp.	72,648	5,828
	Masco Corp.	148,918	5,690
	Textron Inc.	112,355	5,292
	Kansas City Southern	49,381	5,168
	Pentair plc	76,335	5,079
	Cintas Corp.	39,301	4,954
*	Vantiv Inc. Class A	75,486	4,781
	Expeditors International of Washington Inc.	83,877	4,737
	Fortune Brands Home & Security Inc.	71,638	4,674
	Xylem Inc.	83,675	4,638
	CH Robinson Worldwide Inc.	65,605	4,506
	Total System Services Inc.	77,080	4,490
*	United Rentals Inc.	39,414	4,442
*	Trimble Inc.	117,770	4,201
	WW Grainger Inc.	23,205	4,189
	Acuity Brands Inc.	20,542	4,176
	Sealed Air Corp.	91,131	4,079
*	Crown Holdings Inc.	63,469	3,787
	JB Hunt Transport Services Inc.	40,974	3,744
	Wabtec Corp.	40,286	3,686
	ManpowerGroup Inc.	31,313	3,496
	Owens Corning	52,169	3,491
*	Sensata Technologies Holding NV	79,681	3,404
*	Arrow Electronics Inc.	41,434	3,249
*	First Data Corp. Class A	174,536	3,177
	Jacobs Engineering Group Inc.	56,088	3,051
*	Stericycle Inc.	39,680	3,028
	Xerox Corp.	104,429	3,000
	Fluor Corp.	65,120	2,981
	Hubbell Inc. Class B	25,640	2,902
	Macquarie Infrastructure Corp.	36,470	2,859
	Flowserve Corp.	60,841	2,825
	Robert Half International Inc.	56,345	2,701
	Allison Transmission Holdings Inc.	63,617	2,386
	Huntington Ingalls Industries Inc.	10,757	2,003
	Avnet Inc.	29,048	1,129
	FLIR Systems Inc.	31,767	1,101
			272,784

		Shares	Market Value• ($000)
Oil & Gas (4.3%)			
*	Concho Resources Inc.	69,202	8,410
	Tesoro Corp.	70,882	6,635
	National Oilwell Varco Inc.	177,195	5,837
	Cabot Oil & Gas Corp.	217,020	5,443
	EQT Corp.	80,680	4,727
	Marathon Oil Corp.	395,610	4,688
*	Cheniere Energy Inc.	94,104	4,584
	Cimarex Energy Co.	44,329	4,167
	Devon Energy Corp.	116,211	3,715
	OGE Energy Corp.	93,014	3,236
	Noble Energy Inc.	101,876	2,883
	Range Resources Corp.	115,285	2,671
	Helmerich & Payne Inc.	45,513	2,473
	Targa Resources Corp.	50,135	2,266
*	Antero Resources Corp.	102,804	2,222
*	Continental Resources Inc.	43,715	1,413
	HollyFrontier Corp.	41,175	1,131
*	Energen Corp.	22,655	1,118
	Core Laboratories NV	10,267	1,040
*	Weatherford International plc	229,441	888
			69,547
Technology (13.3%)			
	Western Digital Corp.	135,747	12,027
	Lam Research Corp.	75,155	10,629
*	Autodesk Inc.	97,572	9,837
*	Cerner Corp.	138,673	9,218
*	ServiceNow Inc.	79,253	8,401
	Skyworks Solutions Inc.	85,937	8,246
	Symantec Corp.	283,526	8,010
*	Red Hat Inc.	82,926	7,940
	Microchip Technology Inc.	100,790	7,779
	Xilinx Inc.	115,672	7,440
	KLA-Tencor Corp.	73,021	6,682
	Motorola Solutions Inc.	76,116	6,602
	Harris Corp.	56,866	6,203
*	Dell Technologies Inc. Class V	96,884	5,920
*	Workday Inc. Class A	61,029	5,920
	Maxim Integrated Products Inc.	131,572	5,907
*	Palo Alto Networks Inc.	40,782	5,457
	Seagate Technology plc	138,367	5,362
*	Citrix Systems Inc.	67,014	5,333
*	Synopsys Inc.	69,972	5,103
	NetApp Inc.	126,352	5,060
	CA Inc.	145,912	5,030
	Juniper Networks Inc.	177,868	4,959
*	Gartner Inc.	40,047	4,946
^,*	Advanced Micro Devices Inc.	395,803	4,940
*	Twitter Inc.	272,080	4,862
*	ANSYS Inc.	39,791	4,842
	CDK Global Inc.	67,616	4,196
*	F5 Networks Inc.	30,134	3,829
*	Akamai Technologies Inc.	76,506	3,811
*	Qorvo Inc.	59,145	3,745
*	VeriSign Inc.	40,140	3,731
*	Splunk Inc.	64,385	3,663
	Marvell Technology Group Ltd.	175,395	2,897
	LogMeIn Inc.	24,566	2,567
	Garmin Ltd.	43,850	2,238
*	Arista Networks Inc.	10,890	1,631
*	Nuance Communications Inc.	67,012	1,167
*	Premier Inc. Class A	24,132	869
			216,999

	Shares	Market Value• ($000)
Telecommunications (1.0%)		
* Level 3 Communications Inc.	134,787	7,993
CenturyLink Inc.	255,885	6,111
* Zayo Group Holdings Inc.	74,380	2,298
		16,402
Utilities (5.3%)		
WEC Energy Group Inc.	147,177	9,034
Eversource Energy	147,760	8,971
DTE Energy Co.	83,611	8,845
American Water Works Co. Inc.	82,969	6,467
Entergy Corp.	83,595	6,418
Ameren Corp.	112,974	6,176
CMS Energy Corp.	130,810	6,050
CenterPoint Energy Inc.	190,931	5,228
ONEOK Inc.	98,380	5,131
Pinnacle West Capital Corp.	51,919	4,421
Alliant Energy Corp.	106,046	4,260
SCANA Corp.	59,880	4,013
NiSource Inc.	151,099	3,832
AES Corp.	307,202	3,413
FirstEnergy Corp.	103,315	3,013
Avangrid Inc.	28,816	1,272
		86,544
Total Common Stocks (Cost $1,259,309)		1,630,107
Temporary Cash Investments (0.3%)[1]		
Money Market Fund (0.3%)		
[2,3] Vanguard Market Liquidity Fund, 1.181%	55,739	5,575
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[4] United States Treasury Bill, 0.980%, 10/5/17	200	199
Total Temporary Cash Investments (Cost $5,774)		5,774
Total Investments (100.1%) (Cost $1,265,083)		1,635,881

	Amount ($000)
Other Assets and Liabilities (-0.1%)	
Other Assets	
Investment in Vanguard	108
Receivables for Accrued Income	1,828
Receivables for Capital Shares Issued	1,210
Other Assets	14
Total Other Assets	3,160
Liabilities	
Payables for Investment Securities Purchased	(48)
Collateral for Securities on Loan	(1,851)
Payables for Capital Shares Redeemed	(1,925)
Payables to Vanguard	(1,184)
Total Liabilities	(5,008)
Net Assets (100%)	
Applicable to 75,222,267 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	1,634,033
Net Asset Value Per Share	$21.72

At June 30, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,214,372
Undistributed Net Investment Income	8,351
Accumulated Net Realized Gains	40,538
Unrealized Appreciation (Depreciation)	
Investment Securities	370,798
Futures Contracts	(26)
Net Assets	1,634,033

• 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 $1,799,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to future investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% 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 $1,851,000 of collateral received for securities on loan.

4 Securities with a value of $199,000 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, 2017
	($000)
Investment Income	
Income	
Dividends	11,100
Interest[1]	23
Securities Lending—Net	31
Total Income	11,154
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	193
Management and Administrative	1,137
Marketing and Distribution	124
Custodian Fees	35
Shareholders' Reports	38
Trustees' Fees and Expenses	1
Total Expenses	1,528
Net Investment Income	**9,626**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	40,299
Futures Contracts	172
Realized Net Gain (Loss)	**40,471**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	86,111
Futures Contracts	76
Change in Unrealized Appreciation (Depreciation)	**86,187**
Net Increase (Decrease) in Net Assets Resulting from Operations	**136,284**

1 Interest income and realized net gain (loss) from an affiliated company of the portfolio were $22,000 and $0, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	9,626	19,533
Realized Net Gain (Loss)	40,471	70,665
Change in Unrealized Appreciation (Depreciation)	86,187	57,698
Net Increase (Decrease) in Net Assets Resulting from Operations	136,284	147,896
Distributions		
Net Investment Income	(19,300)	(18,997)
Realized Capital Gain[1]	(70,544)	(94,466)
Total Distributions	(89,844)	(113,463)
Capital Share Transactions		
Issued	117,907	179,071
Issued in Lieu of Cash Distributions	89,844	113,463
Redeemed	(115,406)	(195,109)
Net Increase (Decrease) from Capital Share Transactions	92,345	97,425
Total Increase (Decrease)	138,785	131,858
Net Assets		
Beginning of Period	**1,495,248**	**1,363,390**
End of Period[2]	**1,634,033**	**1,495,248**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $1,194,000 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 $8,351,000 and $18,025,000.

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, 2017	Year Ended December 31, 2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$21.11	$20.76	$22.49	$20.77	$16.13	$14.49
Investment Operations						
Net Investment Income	.127	.280	.291	.266	.203	.205
Net Realized and Unrealized Gain (Loss) on Investments	1.740	1.814	(.552)	2.446	5.262	2.071
Total from Investment Operations	1.867	2.094	(.261)	2.712	5.465	2.276
Distributions						
Dividends from Net Investment Income	(0.270)	(.292)	(.268)	(.200)	(.200)	(.178)
Distributions from Realized Capital Gains	(0.987)	(1.452)	(1.201)	(.792)	(.625)	(.458)
Total Distributions	(1.257)	(1.744)	(1.469)	(.992)	(.825)	(.636)
Net Asset Value, End of Period	$21.72	$21.11	$20.76	$22.49	$20.77	$16.13
Total Return	9.04%	11.11%	-1.43%	13.59%	34.93%	15.82%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,634	$1,495	$1,363	$1,364	$1,172	$820
Ratio of Total Expenses to Average Net Assets	0.19%	0.19%	0.19%	0.24%	0.25%	0.26%
Ratio of Net Investment Income to Average Net Assets	1.30%	1.40%	1.35%	1.29%	1.15%	1.30%
Portfolio Turnover Rate	16%	21%	23%	16%	35%	23%

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 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.

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, 2017, 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, 2013–2016), and for the period ended June 30, 2017, 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 event 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. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

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, 2017, 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, 2017, the portfolio had contributed to Vanguard capital in the amount of $108,000, 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.

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, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,630,107	—	—
Temporary Cash Investments	5,575	199	—
Futures Contracts—Assets[1]	2	—	—
Total	1,635,684	199	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2017, 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 2017	14	2,445	(16)
E-mini S&P 500 Index	September 2017	13	1,574	(10)
				(26)

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, 2017, the cost of investment securities for tax purposes was $1,265,083,000. Net unrealized appreciation of investment securities for tax purposes was $370,798,000, consisting of unrealized gains of $427,322,000 on securities that had risen in value since their purchase and $56,524,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2017, the portfolio purchased $142,995,000 of investment securities and sold $126,040,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended June 30, 2017, such purchases and sales were $16,384,000 and $39,839,000, respectively; these amounts are included in the purchases and sales of investment securities noted above.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	Shares (000)	Shares (000)
Issued	5,427	8,958
Issued in Lieu of Cash Distributions	4,272	6,032
Redeemed	(5,316)	(9,815)
Net Increase (Decrease) in Shares Outstanding	4,383	5,175

At June 30, 2017 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 46% 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, 2017, 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, 2017

Mid-Cap Index Portfolio	Beginning Account Value 12/31/2016	Ending Account Value 6/30/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,090.39	$0.98
Based on Hypothetical 5% Yearly Return	$1,000.00	$1,022.89	$0.95

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 (181/365).

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. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also 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 compared with its 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 expenses were also well below 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 for this portfolio.

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 197 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. 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 email 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 082017

Semiannual Report | June 30, 2017

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: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

A Message from Vanguard's Chairman

Dear Planholder,

More than a decade ago, the eminent investor and commentator Howard Marks published a memo to his clients titled simply "Risk." In it, Howard distilled the relationship between investors and risk. "When you boil it all down, it's the investor's job to intelligently bear risk for profit," he wrote.

It's not surprising, then, that everyone from portfolio managers to behavioral economists avidly studies how investors' reactions to risk influence not only individual investment decisions but also the broader financial markets. I'm a big fan of some of the behavioral finance work being done, which includes studies by our own investment strategists and analysts.

A lens on investor behavior

For example, Vanguard's Investment Strategy Group introduced a "risk speedometers" report in January to look at how investors are reacting to market developments. This lens on real-world behavior measures the risk investors are taking in a given period by calculating the difference between net cash flows into higher-risk assets, such as stocks, and net cash flows into lower-risk assets, such as Treasuries. The measures are then compared with long-term averages.

In the spring, the risk speedometer spiked. The spike was fueled by investors' decisions to direct more of their equity dollars to international investments in developed and emerging markets, and their bond dollars to riskier credit categories.

A spiking speedometer seems a fitting analogy for what can happen. I consider myself a responsible driver. Still, when the highway is clear and the weather is nice, I might glance down at the speedometer and find that my right foot has gotten a little heavy.

The same phenomenon is possible with our investment portfolios. Just as our attention can drift from our speed—and the risk level on the road—we can neglect the risk level of our portfolio's asset allocation. Experience teaches that investors are especially prone to lose sight of risk when markets have been buoyant.

How I manage risk in my own portfolio

Rebalancing—periodically adjusting your asset allocation so it stays in line with your goals and risk tolerance—is one of the best ways I know of to help manage risk. Without rebalancing, your portfolio may end up potentially riskier than you intended and no longer aligned with your goals.

I have a ritual I perform every June and again each December, between Christmas and New Year's, as I prepare for a series of annual meetings with the Vanguard crew. I'll set aside some time, review my investment portfolio, and, if necessary, rebalance back to my target asset allocation.

My own portfolio is a mix of equity and fixed income funds, and I invest in both actively managed funds and index funds. Most years, I'll make a minor adjustment to get back to the appropriate asset allocation for my own longer-term goals and risk tolerance. It's not all that complicated, although my portfolio is a little more complex than some because I own more funds than we'd typically suggest. As chairman of Vanguard's funds, I feel I should own a significant number of them.

Consider your options

You should consider rebalancing if your target allocation is off by 5 percentage points or more. Admittedly, this is often easier said than done. When an investment has performed exceptionally well, people have a hard time trimming it. They can be led astray by that old (and none-too-helpful) investing saw: Let your winners run.

Fortunately, in recent years we've seen all sorts of investors take steps to rebalance. Many of the endowments, foundations, and traditional pension plans that Vanguard serves have good processes built into their investment guidelines to make sure rebalancing takes place on a regular basis. And among investors in defined contribution retirement plans, more and more are using target-date funds, where rebalancing happens automatically.

If you choose to rebalance on your own, use your target asset allocation as your guidepost. Don't be afraid to buy into bad news. In a sense, don't worry about the noise of the marketplace. If you work with an advisor, make sure he or she understands the importance you place on your rebalancing ritual.

And remember, the goal of rebalancing is to manage risk, not to avoid it altogether. Risk is inherent in investing—we just want to bear that risk intelligently.

In that insightful memo on risk, Howard Marks included a saying often attributed to Will Rogers: "You've got to go out on a limb sometimes because that's where the fruit is."

Tim Buckley chosen as Vanguard's next CEO

In closing, I'll note senior leadership changes that we announced in July. Our board of directors has elected Vanguard Chief Investment Officer Tim Buckley as president and director of Vanguard. Under the planned transition, Tim will succeed me as Vanguard's chief executive officer on January 1, 2018.

I'm delighted with our board's selection of Tim. We first met in 1991 when Tim was interviewing for a job at Vanguard. In the decades since, we've worked closely together, and he's always impressed me as a man of tremendous character and an outstanding leader with a passion for serving our clients. During the transition period, I will work closely with Tim in managing the firm and overseeing its operations.

Replacing Tim as chief investment officer is Greg Davis, who had been global head of Vanguard Fixed Income Group. And succeeding Greg as our fixed income leader is John Hollyer, who most recently served as our global head of investment risk management. I know Greg and John will both do a superb job in their new roles.

As with past successions, I will remain as chairman for a period of time determined by the board. On a personal note, it has been an honor and a privilege to lead Vanguard. Having spent more than half my life at Vanguard, I have come to know many fabulous crew members who are incredibly dedicated to Vanguard's mission. Please be assured that Tim and the rest of the team will serve you and our other clients extremely well as Vanguard prepares for its next chapter.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2017

Market Perspective

U.S. stocks posted strong gains as corporate earnings increased

U.S. stocks climbed steadily over the six months ended June 30, 2017, and hovered near all-time highs as investors accepted risk, corporate earnings exceeded expectations, and stock valuations increased. Volatility was generally muted. Also, the Federal Reserve's gradual short-term interest rate increases and its plans to reduce its balance sheet didn't disrupt markets.

The Fed's move in June to raise the federal funds target rate by a quarter of a percentage point, to 1%–1.25%, was its second increase in 2017 and its fourth since it began raising the rate at the end of 2015. In announcing the change, Fed Chairwoman Janet Yellen noted the economy's resilience.

The broad U.S. stock market returned 8.93% for the six months. U.S. large- and mid-capitalization stocks outperformed their small-cap counterparts, while growth surpassed value. Among sectors, health care, information technology, and industrials climbed the most and energy and telecommunication services lagged.

For U.S. investors, a weaker dollar boosted international stocks, which returned 13.95%. Developed European and Pacific markets, as well as emerging markets, produced double-digit returns.

Bond prices benefited from monetary stimulus programs

Demand for bonds helped drive global fixed income returns higher even as investors flocked to equities. After a short-term rebound, inflation expectations declined, contributing to lower yields for longer-dated U.S. Treasuries and higher bond prices. (Bond prices and yields move in opposite directions.) Accommodative monetary policies also supported bond prices, although indications that the European Central Bank might reduce its bond-buying stimulus sooner than expected led to a sharp price decline over the period's final week.

The yield of the benchmark 10-year Treasury note closed the period at 2.30%, down from 2.45% at the end of December 2016. The broad U.S. bond market returned 2.27% for the period. Investment-grade corporate bonds outpaced Treasuries and mortgage-backed securities.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 6.12%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds and finished with gains of less than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.27%	18.03%	14.67%
Russell 2000 Index (Small-caps)	4.99	24.60	13.70
Russell 3000 Index (Broad U.S. market)	8.93	18.51	14.58
FTSE All-World ex US Index (International)	13.95	20.53	7.68
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.27%	-0.31%	2.21%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.57	-0.49	3.26
Citigroup Three-Month U.S. Treasury Bill Index	0.30	0.46	0.13
CPI			
Consumer Price Index	1.46%	1.63%	1.31%

Vanguard® REIT Index Portfolio

Real estate investment trusts posted modest returns and trailed the broad U.S. stock market during the first half of the year as rising interest rates limited their investment appeal. For the six months ended June 30, 2017, Vanguard REIT Index Portfolio returned 2.54%, in line with its target index and the average return of its peer funds.

The portfolio seeks to provide a high level of income and moderate long-term capital appreciation by tracking a benchmark index that measures the performance of publicly traded equity REITs.

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.

Fed's raising of interest rates limits the appeal of REITs

In June, the Federal Reserve raised the federal funds target rate one-quarter of a percentage point, to between 1% and 1.25%—the second increase in 2017 and the fourth since December 2015. In this environment, REITs underperformed the broader stock market because higher interest rates raise REITs' debt-financing costs, eroding profit margins. Also, investors could swap REITs for income-generating investments that bear less risk.

Despite the modest returns, six of eight subsets of the REIT market finished the period in positive territory. Health care REITs led the way, with a return of more than 12%, thanks in part to attractive valuations and favorable demographics.

Industrial REITs, which own and manage industrial facilities and rent space in those properties, and specialized REITs, which include storage facilities, data centers, and entertainment and athletic complexes, also produced double-digit returns for the period.

Residential REITs; diversified REITs, which include different types of properties; and office REITs also contributed to performance.

The sector's largest group, retail REITs, was the biggest detractor. Results were held back by a general decline in the popularity of malls, store closures by national retailers, and an increase in online shopping. Hotel and resort REITs also were in negative territory.

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer you will be asked to vote on the election of trustees for all U.S.-domiciled Vanguard funds. Shareholders will also be asked to vote on several fund policy proposals that we believe are in the best interests of all shareholders. As a shareholder of the REIT Index Portfolio, you will be asked to vote on proposals that are specific to your portfolio.

Vanguard filed a preliminary proxy statement on July 13, 2017, with the U.S. Securities and Exchange Commission (SEC). Following the SEC's review, we expect to provide the proxy materials to Vanguard fund shareholders beginning in late August 2017. That's when you can begin to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

Total Returns

	Six Months Ended June 30, 2017
Vanguard REIT Index Portfolio	2.54%
REIT Spliced Index[1]	2.66
Variable Insurance Real Estate Funds Average[2]	2.52

Expense Ratios[3]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Real Estate Funds Average
REIT Index Portfolio	0.27%	1.13%

INDEXED TO MSCI

1 MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
3 The portfolio expense ratio shown is from the prospectus dated April 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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 2016.

Portfolio Profile

As of June 30, 2017

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	156	155	3,800
Median Market Cap	$10.4B	$10.4B	$59.8B
Price/Earnings Ratio	33.6x	33.6x	21.2x
Price/Book Ratio	2.3x	2.3x	2.9x
Dividend Yield[3]	3.9%	3.9%	1.8%
Return on Equity	6.4%	6.4%	16.3%
Earnings Growth Rate	17.6%	17.6%	10.0%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	10%	—	—
Expense Ratio[5]	0.27%	—	—
Short-Term Reserves	0.0%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.22
Beta	1.00	0.67

Portfolio Allocation by REIT Type

Retail	19.0%
Specialized	17.3
Residential	16.6
Office	13.3
Health Care	13.0
Diversified	7.5
Industrial	7.0
Hotel & Resort	6.3

Ten Largest Holdings[6] (% of total net assets)

Simon Property Group Inc.	Retail REITs	6.1%
Equinix Inc.	Specialized REITs	3.9
Public Storage	Specialized REITs	3.8
Prologis Inc.	Industrial REITs	3.7
Welltower Inc.	Health Care REITs	3.2
AvalonBay Communities Inc.	Residential REITs	3.1
Ventas Inc.	Health Care REITs	2.9
Equity Residential	Residential REITs	2.9
Boston Properties Inc.	Office REITs	2.2
Digital Realty Trust Inc.	Specialized REITs	2.1
Top Ten		33.9%

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.

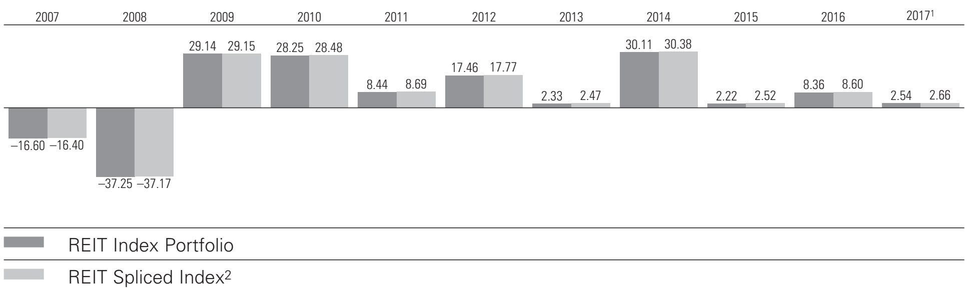
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, 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, 2006–June 30, 2017



Average Annual Total Returns: Periods Ended June 30, 2017

	Inception Date	One Year	Five Years	Ten Years
REIT Index Portfolio	2/9/1999	-2.03%	9.13%	5.96%

1 Six months ended June 30, 2017.

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, 2017

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)
	Equity Real Estate Investment Trusts (REITs) (99.9%)[1]		
	Diversified REITs (7.5%)		
	VEREIT Inc.	1,231,343	10,023
	Colony NorthStar Inc. Class A	675,733	9,521
	WP Carey Inc.	134,314	8,866
	Liberty Property Trust	185,749	7,562
	Forest City Realty Trust Inc. Class A	260,062	6,286
	Gramercy Property Trust	189,431	5,628
	STORE Capital Corp.	216,362	4,857
	Spirit Realty Capital Inc.	611,828	4,534
	Empire State Realty Trust Inc.	166,916	3,467
	PS Business Parks Inc.	25,838	3,421
	Washington REIT	94,169	3,004
	Lexington Realty Trust	268,976	2,665
	Select Income REIT	84,683	2,035
	Global Net Lease Inc.	84,343	1,876
	American Assets Trust Inc.	44,238	1,742
*	iStar Inc.	82,483	993
	Investors Real Estate Trust	153,731	955
	First Potomac Realty Trust	74,404	826
	Armada Hoffler Properties Inc.	54,825	710
	Gladstone Commercial Corp.	31,850	694
	One Liberty Properties Inc.	16,517	387
	Winthrop Realty Trust	32,397	260
	RAIT Financial Trust	105,623	231
			80,543
	Health Care REITs (13.0%)		
	Welltower Inc.	458,224	34,298
	Ventas Inc.	448,260	31,145
	HCP Inc.	591,792	18,914
	Omega Healthcare Investors Inc.	248,667	8,211
	Healthcare Trust of America Inc. Class A	241,833	7,523
	Senior Housing Properties Trust	300,998	6,152
	Medical Properties Trust Inc.	453,579	5,838
	Healthcare Realty Trust Inc.	146,999	5,020
	Physicians Realty Trust	211,460	4,259
	National Health Investors Inc.	50,247	3,980
	Care Capital Properties Inc.	105,803	2,825
	LTC Properties Inc.	49,900	2,564
*	Quality Care Properties Inc.	118,298	2,166
	Sabra Health Care REIT Inc.	82,484	1,988
	CareTrust REIT Inc.	83,026	1,539
	Universal Health Realty Income Trust	16,477	1,311
	New Senior Investment Group Inc.	104,524	1,050
			138,783
	Hotel & Resort REITs (6.3%)		
	Host Hotels & Resorts Inc.	934,469	17,073
	Hospitality Properties Trust	208,090	6,066
	Park Hotels & Resorts Inc.	190,409	5,133
	Apple Hospitality REIT Inc.	268,079	5,016
	Sunstone Hotel Investors Inc.	278,943	4,497
	LaSalle Hotel Properties	143,036	4,263
	Ryman Hospitality Properties Inc.	57,935	3,708
	RLJ Lodging Trust	158,060	3,141
	Pebblebrook Hotel Trust	90,919	2,931
	DiamondRock Hospitality Co.	252,456	2,764
	Xenia Hotels & Resorts Inc.	135,682	2,628
	Summit Hotel Properties Inc.	130,836	2,440
	MGM Growth Properties LLC Class A	73,125	2,135
	Chesapeake Lodging Trust	76,445	1,871
	FelCor Lodging Trust Inc.	158,123	1,140
	Chatham Lodging Trust	48,076	966
	Hersha Hospitality Trust Class A	52,029	963
	Ashford Hospitality Trust Inc.	122,095	742
	Ashford Hospitality Prime Inc.	30,652	315
			67,792
	Industrial REITs (6.9%)		
	Prologis Inc.	669,056	39,233
	Duke Realty Corp.	449,375	12,560
	DCT Industrial Trust Inc.	116,072	6,203
	First Industrial Realty Trust Inc.	148,249	4,243
	EastGroup Properties Inc.	42,272	3,542
	STAG Industrial Inc.	103,578	2,859
	Rexford Industrial Realty Inc.	84,352	2,315
	Terreno Realty Corp.	59,891	2,016
	Monmouth Real Estate Investment Corp.	80,761	1,215
			74,186
	Office REITs (13.3%)		
	Boston Properties Inc.	194,394	23,914
	Vornado Realty Trust	215,132	20,201
	Alexandria Real Estate Equities Inc.	112,212	13,518
	SL Green Realty Corp.	127,083	13,445
	Kilroy Realty Corp.	123,499	9,281
	Douglas Emmett Inc.	183,827	7,024
	Hudson Pacific Properties Inc.	196,085	6,704
	Highwoods Properties Inc.	128,498	6,516
*	Equity Commonwealth	157,107	4,965
	Cousins Properties Inc.	529,743	4,656
	Corporate Office Properties Trust	124,790	4,371
	Paramount Group Inc.	247,915	3,967
	Brandywine Realty Trust	221,316	3,880
	Piedmont Office Realty Trust Inc. Class A	183,685	3,872
	Columbia Property Trust Inc.	154,652	3,461
	Mack-Cali Realty Corp.	107,426	2,916
	Government Properties Income Trust	106,160	1,944
	New York REIT Inc.	209,026	1,806
	Franklin Street Properties Corp.	129,563	1,436
	Parkway Inc.	55,276	1,265
	Tier REIT Inc.	59,597	1,101
	Easterly Government Properties Inc.	44,721	937
	NorthStar Realty Europe Corp.	67,645	858
			142,038
	Residential REITs (16.6%)		
	AvalonBay Communities Inc.	173,528	33,347
	Equity Residential	463,981	30,544
	Essex Property Trust Inc.	82,856	21,316
	Mid-America Apartment Communities Inc.	143,439	15,116
	UDR Inc.	337,880	13,167
	Camden Property Trust	110,812	9,475
	Equity LifeStyle Properties Inc.	104,352	9,010
	Sun Communities Inc.	98,952	8,677
	Apartment Investment & Management Co.	198,391	8,525
	American Campus Communities Inc.	166,910	7,895
	American Homes 4 Rent Class A	291,834	6,587
	Colony Starwood Homes	157,671	5,410
	Education Realty Trust Inc.	92,378	3,580
	Monogram Residential Trust Inc.	199,984	1,942
	Independence Realty Trust Inc.	87,832	867
	Altisource Residential Corp.	65,115	842
	UMH Properties Inc.	34,332	585
	NexPoint Residential Trust Inc.	20,087	500
			177,385
	Retail REITs (19.0%)		
	Simon Property Group Inc.	404,247	65,391
	GGP Inc.	782,955	18,446
	Realty Income Corp.	328,936	18,151
	Regency Centers Corp.	193,151	12,099
	Federal Realty Investment Trust	91,122	11,517
	Kimco Realty Corp.	537,959	9,872
	Macerich Co.	154,606	8,976
	National Retail Properties Inc.	186,017	7,273

	Shares	Market Value• ($000)
Brixmor Property Group Inc.	384,703	6,879
Weingarten Realty Investors	153,805	4,630
Taubman Centers Inc.	76,463	4,553
Retail Properties of America Inc.	299,215	3,653
DDR Corp.	393,483	3,569
Urban Edge Properties	135,566	3,217
Tanger Factory Outlet Centers Inc.	122,219	3,175
Acadia Realty Trust	106,841	2,970
Retail Opportunity Investments Corp.	137,842	2,645
Kite Realty Group Trust	105,852	2,004
Washington Prime Group Inc.	233,461	1,954
^ CBL & Associates Properties Inc.	216,262	1,823
Agree Realty Corp.	36,045	1,653
Ramco-Gershenson Properties Trust	100,757	1,300
^ Seritage Growth Properties Class A	30,319	1,272
Alexander's Inc.	2,879	1,213
Pennsylvania REIT	87,096	986
Saul Centers Inc.	16,258	943
Getty Realty Corp.	34,612	869
Urstadt Biddle Properties Inc. Class A	37,178	736
Cedar Realty Trust Inc.	107,140	520
Whitestone REIT	37,976	465
		202,754
Specialized REITs (17.3%)		
Equinix Inc.	97,217	41,722
Public Storage	197,137	41,109
Digital Realty Trust Inc.	200,992	22,702
Extra Space Storage Inc.	158,970	12,400
Iron Mountain Inc.	316,622	10,879
Gaming and Leisure Properties Inc.	249,485	9,398
DuPont Fabros Technology Inc.	97,848	5,985
EPR Properties	80,548	5,789
CyrusOne Inc.	100,411	5,598
CubeSmart	228,047	5,482
GEO Group Inc.	153,713	4,545
CoreSite Realty Corp.	42,744	4,425
Life Storage Inc.	58,694	4,349
CoreCivic Inc.	148,764	4,103
QTS Realty Trust Inc. Class A	60,154	3,148
Four Corners Property Trust Inc.	75,392	1,893
National Storage Affiliates Trust	54,556	1,261
		184,788
Total Equity Real Estate Investment Trusts (REITs) (Cost $1,045,052)		1,068,269
Temporary Cash Investments (0.2%)[1]		
Money Market Fund (0.2%)		
[2,3] Vanguard Market Liquidity Fund, 1.181%	17,226	1,723

	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (0.0%)		
[4] United States Treasury Bill, 0.949%, 10/19/17	200	200
Total Temporary Cash Investments (Cost $1,923)		1,923
Total Investments (100.1%) (Cost $1,046,975)		1,070,192

	Amount ($000)
Other Assets and Liabilities (-0.1%)	
Other Assets	
Investment in Vanguard	70
Receivables for Investment Securities Sold	3,673
Receivables for Accrued Income	4,292
Receivables for Capital Shares Issued	100
Other Assets	7
Total Other Assets	8,142
Liabilities	
Payables for Investment Securities Purchased	(3,452)
Collateral for Securities on Loan	(406)
Payables for Capital Shares Redeemed	(4,003)
Payables to Vanguard	(810)
Other Liabilities	(9)
Total Liabilities	(8,680)
Net Assets (100%)	
Applicable to 83,188,553 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	1,069,654
Net Asset Value Per Share	$12.86

At June 30, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,008,772
Undistributed Net Investment Income	14,292
Accumulated Net Realized Gains	23,365
Unrealized Appreciation (Depreciation)	
Investment Securities	23,217
Futures Contracts	8
Net Assets	1,069,654

• 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 $389,000.

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 equity real estate investment trusts and temporary cash investment positions represent 100.1% and 0.0%, 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 $406,000 of collateral received for securities on loan.

4 Securities with a value of $199,000 have been segregated as initial margin for open futures contracts.

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, 2017
	($000)
Investment Income	
Income	
Dividends	16,652
Interest[1]	3
Securities Lending—Net	2
Total Income	16,657
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	128
Management and Administrative	1,185
Marketing and Distribution	86
Custodian Fees	28
Shareholders' Reports	30
Total Expenses	1,457
Net Investment Income	**15,200**
Realized Net Gain (Loss)	
Capital Gain Distributions Received	2,593
Investment Securities Sold[1]	20,703
Futures Contracts	70
Realized Net Gain (Loss)	**23,366**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(11,426)
Futures Contracts	8
Change in Unrealized Appreciation (Depreciation)	**(11,418)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**27,148**

1 Interest income and realized net gain (loss) from an affiliated company of the portfolio were $2,000 and $0, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	15,200	26,906
Realized Net Gain (Loss)	23,366	47,712
Change in Unrealized Appreciation (Depreciation)	(11,418)	1,311
Net Increase (Decrease) in Net Assets Resulting from Operations	27,148	75,929
Distributions		
Net Investment Income	(26,681)	(26,115)
Realized Capital Gain[1]	(47,580)	(69,291)
Total Distributions	(74,261)	(95,406)
Capital Share Transactions		
Issued	52,550	205,902
Issued in Lieu of Cash Distributions	74,261	95,406
Redeemed	(103,012)	(179,279)
Net Increase (Decrease) from Capital Share Transactions	23,799	122,029
Total Increase (Decrease)	(23,314)	102,552
Net Assets		
Beginning of Period	**1,092,968**	**990,416**
End of Period[2]	**1,069,654**	**1,092,968**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $786,000 and $1,741,000, 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 $14,292,000 and $25,773,000.

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, 2017	Year Ended December 31, 2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	$13.48	$13.77	$14.17	$11.87	$12.12	$10.90
Investment Operations						
Net Investment Income	.190	.346	.358	.307	.308	.264
Net Realized and Unrealized Gain (Loss) on Investments	.125	.734	(.032)	3.061	.002	1.594
Total from Investment Operations	.315	1.080	.326	3.368	.310	1.858
Distributions						
Dividends from Net Investment Income	(.336)	(.375)	(.251)	(.367)	(.255)	(.233)
Distributions from Realized Capital Gains	(.599)	(.995)	(.475)	(.701)	(.305)	(.405)
Total Distributions	(.935)	(1.370)	(.726)	(1.068)	(.560)	(.638)
Net Asset Value, End of Period	$12.86	$13.48	$13.77	$14.17	$11.87	$12.12
Total Return	2.54%	8.36%	2.22%	30.11%	2.33%	17.46%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,070	$1,093	$990	$1,009	$655	$644
Ratio of Total Expenses to Average Net Assets	0.27%	0.27%	0.27%	0.27%	0.27%	0.28%
Ratio of Net Investment Income to Average Net Assets	2.79%	2.55%	2.60%	3.96%	2.50%	2.36%
Portfolio Turnover Rate	10%	14%	21%	11%	19%	8%

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 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. Temporary cash investments 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.

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, 2017, 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, 2013–2016), and for the period ended June 30, 2017, 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 event 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. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

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, 2017, or at any time during the period then ended.

7. 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. 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, 2017, the portfolio had contributed to Vanguard capital in the amount of $70,000, 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).

The following table summarizes the market value of the portfolio's investments as of June 30, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,068,009	—	260
Temporary Cash Investments	1,723	200	—
Futures Contracts—Liabilities[1]	(3)	—	—
Total	1,069,729	200	260

1 Represents variation margin on the last day of the reporting period.

At June 30, 2017, 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)
Dow Jones U.S. Real Estate Index	September 2017	65	2,051	8

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

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, 2017, the cost of investment securities for tax purposes was $1,046,975,000. Net unrealized appreciation of investment securities for tax purposes was $23,217,000, consisting of unrealized gains of $115,824,000 on securities that had risen in value since their purchase and $92,607,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2017, the portfolio purchased $51,942,000 of investment securities and sold $83,907,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	Shares (000)	Shares (000)
Issued	3,986	15,209
Issued in Lieu of Cash Distributions	5,946	7,442
Redeemed	(7,838)	(13,487)
Net Increase (Decrease) in Shares Outstanding	2,094	9,164

At June 30, 2017, 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.

G. Management has determined that no material events or transactions occurred subsequent to June 30, 2017, 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, 2017

REIT Index Portfolio	Beginning Account Value 12/31/2016	Ending Account Value 6/30/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,025.44	$1.36
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.46	1.35

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 (181/365).

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. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also 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 compared with its 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 expenses were 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 for this portfolio.

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 197 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. 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 email 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, 2017

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: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

A Message from Vanguard's Chairman

Dear Planholder,

More than a decade ago, the eminent investor and commentator Howard Marks published a memo to his clients titled simply "Risk." In it, Howard distilled the relationship between investors and risk. "When you boil it all down, it's the investor's job to intelligently bear risk for profit," he wrote.

It's not surprising, then, that everyone from portfolio managers to behavioral economists avidly studies how investors' reactions to risk influence not only individual investment decisions but also the broader financial markets. I'm a big fan of some of the behavioral finance work being done, which includes studies by our own investment strategists and analysts.

A lens on investor behavior

For example, Vanguard's Investment Strategy Group introduced a "risk speedometers" report in January to look at how investors are reacting to market developments. This lens on real-world behavior measures the risk investors are taking in a given period by calculating the difference between net cash flows into higher-risk assets, such as stocks, and net cash flows into lower-risk assets, such as Treasuries. The measures are then compared with long-term averages.

In the spring, the risk speedometer spiked. The spike was fueled by investors' decisions to direct more of their equity dollars to international investments in developed and emerging markets, and their bond dollars to riskier credit categories.

A spiking speedometer seems a fitting analogy for what can happen. I consider myself a responsible driver. Still, when the highway is clear and the weather is nice, I might glance down at the speedometer and find that my right foot has gotten a little heavy.

The same phenomenon is possible with our investment portfolios. Just as our attention can drift from our speed—and the risk level on the road—we can neglect the risk level of our portfolio's asset allocation. Experience teaches that investors are especially prone to lose sight of risk when markets have been buoyant.

How I manage risk in my own portfolio

Rebalancing—periodically adjusting your asset allocation so it stays in line with your goals and risk tolerance—is one of the best ways I know of to help manage risk. Without rebalancing, your portfolio may end up potentially riskier than you intended and no longer aligned with your goals.

I have a ritual I perform every June and again each December, between Christmas and New Year's, as I prepare for a series of annual meetings with the Vanguard crew. I'll set aside some time, review my investment portfolio, and, if necessary, rebalance back to my target asset allocation.

My own portfolio is a mix of equity and fixed income funds, and I invest in both actively managed funds and index funds. Most years, I'll make a minor adjustment to get back to the appropriate asset allocation for my own longer-term goals and risk tolerance. It's not all that complicated, although my portfolio is a little more complex than some because I own more funds than we'd typically suggest. As chairman of Vanguard's funds, I feel I should own a significant number of them.

Consider your options

You should consider rebalancing if your target allocation is off by 5 percentage points or more. Admittedly, this is often easier said than done. When an investment has performed exceptionally well, people have a hard time trimming it. They can be led astray by that old (and none-too-helpful) investing saw: Let your winners run.

Fortunately, in recent years we've seen all sorts of investors take steps to rebalance. Many of the endowments, foundations, and traditional pension plans that Vanguard serves have good processes built into their investment guidelines to make sure rebalancing takes place on a regular basis. And among investors in defined contribution retirement plans, more and more are using target-date funds, where rebalancing happens automatically.

If you choose to rebalance on your own, use your target asset allocation as your guidepost. Don't be afraid to buy into bad news. In a sense, don't worry about the noise of the marketplace. If you work with an advisor, make sure he or she understands the importance you place on your rebalancing ritual.

And remember, the goal of rebalancing is to manage risk, not to avoid it altogether. Risk is inherent in investing—we just want to bear that risk intelligently.

In that insightful memo on risk, Howard Marks included a saying often attributed to Will Rogers: "You've got to go out on a limb sometimes because that's where the fruit is."

Tim Buckley chosen as Vanguard's next CEO

In closing, I'll note senior leadership changes that we announced in July. Our board of directors has elected Vanguard Chief Investment Officer Tim Buckley as president and director of Vanguard. Under the planned transition, Tim will succeed me as Vanguard's chief executive officer on January 1, 2018.

I'm delighted with our board's selection of Tim. We first met in 1991 when Tim was interviewing for a job at Vanguard. In the decades since, we've worked closely together, and he's always impressed me as a man of tremendous character and an outstanding leader with a passion for serving our clients. During the transition period, I will work closely with Tim in managing the firm and overseeing its operations.

Replacing Tim as chief investment officer is Greg Davis, who had been global head of Vanguard Fixed Income Group. And succeeding Greg as our fixed income leader is John Hollyer, who most recently served as our global head of investment risk management. I know Greg and John will both do a superb job in their new roles.

As with past successions, I will remain as chairman for a period of time determined by the board. On a personal note, it has been an honor and a privilege to lead Vanguard. Having spent more than half my life at Vanguard, I have come to know many fabulous crew members who are incredibly dedicated to Vanguard's mission. Please be assured that Tim and the rest of the team will serve you and our other clients extremely well as Vanguard prepares for its next chapter.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2017

Market Perspective

U.S. stocks posted strong gains as corporate earnings increased

U.S. stocks climbed steadily over the six months ended June 30, 2017, and hovered near all-time highs as investors accepted risk, corporate earnings exceeded expectations, and stock valuations increased. Volatility was generally muted. Also, the Federal Reserve's gradual short-term interest rate increases and its plans to reduce its balance sheet didn't disrupt markets.

The Fed's move in June to raise the federal funds target rate by a quarter of a percentage point, to 1%–1.25%, was its second increase in 2017 and its fourth since it began raising the rate at the end of 2015. In announcing the change, Fed Chairwoman Janet Yellen noted the economy's resilience.

The broad U.S. stock market returned 8.93% for the six months. U.S. large- and mid-capitalization stocks outperformed their small-cap counterparts, while growth surpassed value. Among sectors, health care, information technology, and industrials climbed the most and energy and telecommunication services lagged.

For U.S. investors, a weaker dollar boosted international stocks, which returned 13.95%. Developed European and Pacific markets, as well as emerging markets, produced double-digit returns.

Bond prices benefited from monetary stimulus programs

Demand for bonds helped drive global fixed income returns higher even as investors flocked to equities. After a short-term rebound, inflation expectations declined, contributing to lower yields for longer-dated U.S. Treasuries and higher bond prices. (Bond prices and yields move in opposite directions.) Accommodative monetary policies also supported bond prices, although indications that the European Central Bank might reduce its bond-buying stimulus sooner than expected led to a sharp price decline over the period's final week.

The yield of the benchmark 10-year Treasury note closed the period at 2.30%, down from 2.45% at the end of December 2016. The broad U.S. bond market returned 2.27% for the period. Investment-grade corporate bonds outpaced Treasuries and mortgage-backed securities.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 6.12%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds and finished with gains of less than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.27%	18.03%	14.67%
Russell 2000 Index (Small-caps)	4.99	24.60	13.70
Russell 3000 Index (Broad U.S. market)	8.93	18.51	14.58
FTSE All-World ex US Index (International)	13.95	20.53	7.68
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.27%	-0.31%	2.21%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.57	-0.49	3.26
Citigroup Three-Month U.S. Treasury Bill Index	0.30	0.46	0.13
CPI			
Consumer Price Index	1.46%	1.63%	1.31%

Vanguard® Small Company Growth Portfolio

Advisors' Report

Vanguard Small Company Growth Portfolio returned 11.23% for the six months ended June 30, 2017, ahead of the 10.63% return of its benchmark, the Russell 2500 Growth Index, but trailing the 11.58% 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 two independent advisors, a strategy that enhances diversification by providing exposure to distinct yet complementary investment approaches. 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 half year and its effect on the portfolio's positioning. These comments were prepared on July 19, 2017.

On another note, as of March, Granahan Investment Management, Inc., is no longer an advisor to the Small Company Growth Portfolio. The assets formerly managed by Granahan have been allocated among the portfolio's two advisors: Vanguard Quantitative Equity Group and ArrowMark Partners.

Vanguard Quantitative Equity Group

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of Equity Research and Portfolio Strategies

The investment environment

The Federal Reserve increased the federal funds target rate in June to 1.00%–1.25%. It was just the fourth time the Fed has raised interest rates since the financial crisis of 2008–2009. Fed officials maintained their forecast of one more rate hike this year and three next year. GDP growth was 1.4% in the first quarter of 2017, down from 2.1% in the fourth quarter of 2016. Business investment, exports, consumer spending, and housing development contributed to growth, while inventory investment, government spending, and imports hindered growth. Unemployment declined to 4.4% in June from 4.7% in December 2016. Labor force participation rose fractionally to 62.8% in June from 62.7% the month before and has shown no clear trend over the past year.

The dollar was the worst performer of the major currencies over the period, falling about 5.5% against those other currencies. It was the dollar's sharpest decline over two quarters in six years as investors perceived that international growth is outpacing U.S. growth. Also, President Trump's plans for tax overhaul, deregulation, and fiscal stimulus have faced political roadblocks. Improving global growth and the dollar's weakness continued to boost emerging-market currencies. Brent crude oil prices fell to about $46 a barrel, and global inventories remained above five-year averages as U.S. production increased and OPEC exports hit a 2017 high, casting doubt on producer efforts to cut output.

The benchmark Russell 2500 Growth Index ended the period up 10.63%, with nine of 11 sectors recording positive returns. Growth stocks outpaced value stocks, while large- and mid-capitalization stocks surpassed their small-cap counterparts. Once expectations for global growth were reduced, investors were more willing to pay for growth stocks.

Investment objective and strategy

Although our overall performance is affected by the macroeconomic factors we've described, our approach to investing focuses on specific stock fundamentals that we believe are more likely to produce outperformance over the long run. Those fundamentals include high quality, management decisions, consistent earnings growth, strong market sentiment, and reasonable valuation.

Total Returns

	Six Months Ended June 30, 2017
Vanguard Small Company Growth Portfolio	11.23%
Russell 2500 Growth Index	10.63
Variable Insurance Small-Cap Growth Funds Average[1]	11.58

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Small-Cap Growth Funds Average
Small Company Growth Portfolio	0.37%	1.01%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, the Small Company Growth Portfolio's annualized 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 2016.

Using these five themes, we generate a composite rank for all the stocks in our universe each day, seeking to capitalize on investor biases across the market. We then monitor our portfolio, based on those rankings, and adjust when appropriate to maximize expected return while minimizing exposure to risks that our research indicates do not improve returns (such as industry selection and other risks relative to our benchmark).

Our successes and shortfalls

Over the six months, our portfolio produced gains from our management decisions model and, to a lesser extent, our sentiment and growth models. However, our valuation model and, to a smaller degree, our quality model, detracted. Results exceeded the benchmark in three of 11 sectors and were strongest in materials, consumer staples, and financials. Information technology stocks hurt relative performance most, while industrials and consumer discretionary also lagged.

In information technology, top contributors Extreme Networks and Wix.com couldn't offset significant disappointments from Cardtronics and Nutanix. Newfield Exploration, in energy, and Tailored Brands, in consumer discretionary, also subtracted from results. On a more positive note, OraSure Technologies in health care, Chemours in materials, and our underweight allocation to Rite Aid in consumer staples benefited the portfolio.

ArrowMark Partners

Portfolio Managers:

Chad Meade, Partner

Brian Schaub, CFA, Partner

U.S. stock markets posted strong gains during the period, largely on the belief that the Trump administration's views on tax reform, infrastructure spending, and regulation would boost domestic growth. Expectations were tested in March as a failed effort in the U.S. House to repeal the Affordable Care Act led many to question how fast pro-growth policies could be implemented. Other notable events included the Federal Reserve's first two interest rate hikes of 2017, neither of which interrupted the upward trajectory of the market. Volatility remained scarce as the Russell 2500 Growth Index registered only two daily declines greater than 2% during the first six months of 2017. Though the lack of volatility during the period was a surprise, we continue to expect and prepare for a market pullback.

Our investment process prioritizes the management of risk over the opportunity for return. Our goal is to build an all-weather portfolio that can perform in a variety of market conditions. We look to build a portfolio that can mitigate capital losses on the downside and, secondarily, provide 100% upside participation during market recoveries. If and when volatility does pick up, we will look to add stocks with predictable and recurring revenue streams, strong competitive advantages, large addressable markets, and attractive risk/reward profiles.

Performance during the period was aided by a number of factors, most notably strong stock selection in the industrial, information technology, and health care sectors. Industrials was the largest contributor to performance, led by the commercial and professional services industry group. CEB, a provider of best-practice and technology insights to businesses in a wide range of industries, had been a longtime portfolio holding before being acquired by Gartner, another portfolio holding, at a 25% premium in January 2017. TriNet, a cloud-based professional employer organization targeting small and medium-sized businesses, benefited from a combination of improved pricing and expanding margins that resulted in significantly better-than-expected earnings for the first quarter.

Vanguard Small Company Growth Portfolio Investment Advisors

	Portfolio Assets Managed		
Investment Advisor	%	$ Million	Investment Strategy
Vanguard Quantitative Equity Group	48	739	Employs a quantitative approach that focuses on fundamental factors, using models that assess valuation, growth prospects, management decisions, market sentiment, and earnings and balance-sheet quality of companies as compared with their peers.
ArrowMark Partners	47	722	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.
Cash Investments	5	81	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.

Health care was the second-largest contributor, driven primarily by strong stock selection. Our continued focus on novel, differentiated products contributed to performance as Exact Sciences and Spectranetics registered strong gains. Exact Sciences continues to benefit from robust market adoption of its Cologuard product, a revolutionary diagnostic tool for colorectal cancer. Spectranetics was acquired by Philips at a 27% premium given its broad product portfolio and pending commercial launch of Stellarex, a drug-coated balloon. Despite the noise associated with the repeal-and-replace efforts on the Affordable Care Act, we will continue to focus on companies that can add value to patients, providers, and payers.

The consumer discretionary and materials sectors detracted from overall performance. The retailing subindustry felt significant pressure during the period, driven by a sharp slowdown in store traffic industrywide and the persistent threat that Amazon could turn all brick-and-mortar stores into rubble. Companies directly affected included Sally Beauty, a specialty distributor and retailer of beauty products to salons and consumers, and Hibbett Sports, a sporting goods retailer operating in rural markets across the Southeast, Southwest, and lower Midwest.

Our lack of exposure to materials also hurt performance as the sector returned 13% during the period. Given that materials stocks tend to have levered balance sheets and are more influenced by commodity price swings, we typically avoid this sector.

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer you will be asked to vote on the election of trustees for all U.S.-domiciled Vanguard funds. Shareholders will also be asked to vote on several fund policy proposals that we believe are in the best interests of all shareholders.

Vanguard filed a preliminary proxy statement on July 13, 2017, with the U.S. Securities and Exchange Commission (SEC). Following the SEC's review, we expect to provide the proxy materials to Vanguard fund shareholders beginning in late August 2017. That's when you can begin to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

Portfolio Profile

As of June 30, 2017

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	386	1,436	3,800
Median Market Cap	$3.5B	$4.2B	$59.8B
Price/Earnings Ratio	24.4x	26.5x	21.2x
Price/Book Ratio	4.2x	4.7x	2.9x
Yield[3]	0.6%	0.8%	1.8%
Return on Equity	11.8%	11.7%	16.3%
Earnings Growth Rate	13.0%	13.9%	10.0%
Foreign Holdings	1.9%	0.0%	0.0%
Turnover Rate[4]	91%	—	—
Expense Ratio[5]	0.37%	—	—
Short-Term Reserves	1.4%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.97	0.80
Beta	1.05	1.27

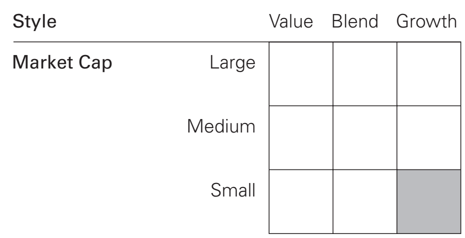
Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]	Broad Index[2]
Consumer Discretionary	16.9%	15.5%	12.7%
Consumer Staples	1.7	2.3	8.0
Energy	1.4	1.6	5.6
Financials	7.4	7.3	15.0
Health Care	20.5	18.7	14.0
Industrials	21.7	18.5	10.8
Information Technology	23.3	24.4	21.4
Materials	3.5	6.6	3.3
Real Estate	2.8	3.9	4.1
Telecommunication Services	0.4	0.8	1.9
Utilities	0.4	0.4	3.2

Ten Largest Holdings[6] (% of total net assets)

TriNet Group Inc.	Human Resource & Employment Services	1.6%
LPL Financial Holdings Inc.	Investment Banking & Brokerage	1.5
Cadence Design Systems Inc.	Application Software	1.4
ServiceMaster Global Holdings Inc.	Specialized Consumer Services	1.3
CDW Corp.	Technology Distributors	1.2
Sally Beauty Holdings Inc.	Specialty Stores	1.2
Sensata Technologies Holding NV	Electrical Components & Equipment	1.1
Carter's Inc.	Apparel, Accessories & Luxury Goods	1.1
STERIS plc	Health Care Equipment	1.0
Clean Harbors Inc.	Environmental & Facilities Services	1.0
Top Ten		12.4%

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.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

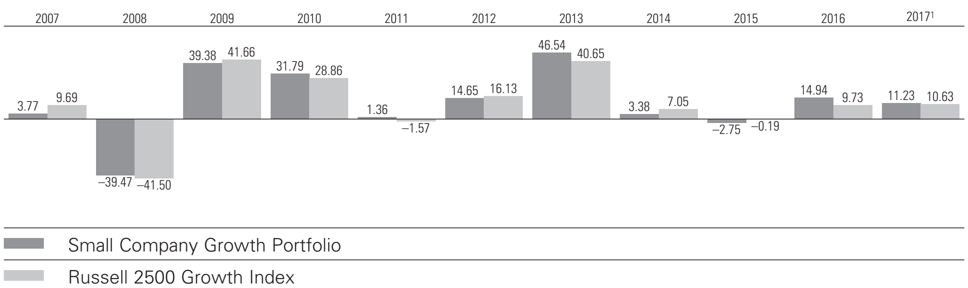
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no 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 28, 2017, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2017, the Small Company Growth Portfolio's annualized 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, 2006–June 30, 2017



Average Annual Total Returns: Periods Ended June 30, 2017

	Inception Date	One Year	Five Years	Ten Years
Small Company Growth Portfolio	6/3/1996	26.33%	15.07%	8.74%

1 Six months ended June 30, 2017.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2017

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 (93.4%)[1]		
	Consumer Discretionary (16.0%)		
*	ServiceMaster Global Holdings Inc.	523,247	20,506
*	Sally Beauty Holdings Inc.	911,424	18,456
	Carter's Inc.	183,592	16,331
	Wolverine World Wide Inc.	494,058	13,839
^	Polaris Industries Inc.	136,193	12,561
	Dunkin' Brands Group Inc.	194,053	10,696
*	Grand Canyon Education Inc.	131,576	10,317
	Domino's Pizza Inc.	34,200	7,234
	Lear Corp.	46,907	6,665
	Dick's Sporting Goods Inc.	158,379	6,308
*	Lululemon Athletica Inc.	103,873	6,198
	National CineMedia Inc.	819,136	6,078
*	Burlington Stores Inc.	54,173	4,983
	Bloomin' Brands Inc.	220,768	4,687
	Monro Muffler Brake Inc.	111,050	4,636
*	iRobot Corp.	49,412	4,158
*	Taylor Morrison Home Corp. Class A	172,592	4,144
	Children's Place Inc.	38,330	3,914
	Cheesecake Factory Inc.	76,309	3,838
	Brinker International Inc.	99,340	3,785
	Bob Evans Farms Inc.	51,539	3,702
^	Tailored Brands Inc.	322,441	3,598
*	Cooper-Standard Holdings Inc.	35,290	3,560
*	Sotheby's	66,161	3,551
*	Scientific Games Corp. Class A	125,170	3,267
	Group 1 Automotive Inc.	51,460	3,258
*	Hibbett Sports Inc.	155,375	3,224
*	Five Below Inc.	65,207	3,219
*	Live Nation Entertainment Inc.	85,700	2,987
*	NVR Inc.	1,232	2,970
	Chico's FAS Inc.	287,084	2,704
	Regal Entertainment Group Class A	126,178	2,582
*	MCBC Holdings Inc.	131,569	2,572
*	Dave & Buster's Entertainment Inc.	38,004	2,528
	Tupperware Brands Corp.	34,721	2,438
	Cinemark Holdings Inc.	59,924	2,328
	Capella Education Co.	25,999	2,226
	Service Corp. International	63,915	2,138
	Strayer Education Inc.	22,763	2,122
	Brunswick Corp.	33,505	2,102
*	Malibu Boats Inc. Class A	73,920	1,912
*	American Axle & Manufacturing Holdings Inc.	97,507	1,521
	Sinclair Broadcast Group Inc. Class A	45,207	1,487
	Interpublic Group of Cos. Inc.	59,615	1,467
	Nutrisystem Inc.	26,439	1,376
^	Sturm Ruger & Co. Inc.	21,478	1,335

		Shares	Market Value• ($000)
	Big Lots Inc.	27,496	1,328
	Ruth's Hospitality Group Inc.	60,661	1,319
	Papa John's International Inc.	15,592	1,119
*	MSG Networks Inc.	46,552	1,045
*	Panera Bread Co. Class A	2,673	841
	MDC Holdings Inc.	22,218	785
*	tronc Inc.	50,800	655
*	Visteon Corp.	6,260	639
	Culp Inc.	19,378	630
*	Weight Watchers International Inc.	18,045	603
	Bassett Furniture Industries Inc.	14,400	547
*	Pinnacle Entertainment Inc.	22,400	443
*	Century Communities Inc.	11,666	289
	Cable One Inc.	400	284
*	Potbelly Corp.	21,231	244
*	Select Comfort Corp.	5,365	190
*	Francesca's Holdings Corp.	14,269	156
*	PICO Holdings Inc.	8,671	152
	H&R Block Inc.	4,758	147
			246,924
	Consumer Staples (1.5%)		
	Casey's General Stores Inc.	49,196	5,269
*	HRG Group Inc.	247,315	4,380
*	US Foods Holding Corp.	78,423	2,134
*,^	Pilgrim's Pride Corp.	92,268	2,022
	John B Sanfilippo & Son Inc.	30,770	1,942
	Nu Skin Enterprises Inc. Class A	21,431	1,347
	Ingles Markets Inc. Class A	38,400	1,279
	Omega Protein Corp.	63,481	1,136
	Fresh Del Monte Produce Inc.	21,112	1,075
	National Beverage Corp.	10,419	975
	Medifast Inc.	12,900	535
	Dean Foods Co.	25,698	437
	Coca-Cola Bottling Co. Consolidated	1,800	412
	Spectrum Brands Holdings Inc.	1,150	144
			23,087
	Energy (1.2%)		
*	Chesapeake Energy Corp.	834,931	4,150
*	Newfield Exploration Co.	137,779	3,921
*	Dril-Quip Inc.	72,565	3,541
*	RigNet Inc.	195,391	3,136
*,^	Sanchez Energy Corp.	212,115	1,523
	RPC Inc.	36,968	747
*	Ultra Petroleum Corp.	35,643	387
*	Laredo Petroleum Inc.	28,155	296
	CVR Energy Inc.	11,044	240
*	Southwestern Energy Co.	36,536	222
*	Abraxas Petroleum Corp.	113,400	184
			18,347

		Shares	Market Value• ($000)
	Financials (6.4%)		
	LPL Financial Holdings Inc.	539,305	22,899
	WisdomTree Investments Inc.	803,506	8,171
	MSCI Inc. Class A	67,953	6,998
	Financial Engines Inc.	179,582	6,573
	CBOE Holdings Inc.	62,049	5,671
	Bank of the Ozarks	120,289	5,638
	Primerica Inc.	65,456	4,958
*	Essent Group Ltd.	127,110	4,721
	Evercore Partners Inc. Class A	66,609	4,696
*	Walker & Dunlop Inc.	83,927	4,098
	Lazard Ltd. Class A	83,347	3,861
*	SVB Financial Group	17,855	3,139
	East West Bancorp Inc.	36,372	2,131
*	INTL. FCStone Inc.	55,001	2,077
*	World Acceptance Corp.	27,446	2,056
	Universal Insurance Holdings Inc.	80,754	2,035
	Legg Mason Inc.	46,232	1,764
	National Bank Holdings Corp. Class A	51,100	1,692
*	Nationstar Mortgage Holdings Inc.	83,790	1,499
*	Regional Management Corp.	51,700	1,222
	Assurant Inc.	8,717	904
*	Credit Acceptance Corp.	2,274	585
	Houlihan Lokey Inc. Class A	13,200	461
	GAMCO Investors Inc. Class A	5,800	172
			98,021
	Health Care (19.5%)		
	STERIS plc	197,021	16,057
*	INC Research Holdings Inc. Class A	268,472	15,706
	Cooper Cos. Inc.	54,992	13,166
*	Spectranetics Corp.	257,342	9,882
*	Prestige Brands Holdings Inc.	183,266	9,678
*	MEDNAX Inc.	147,719	8,918
*	Exact Sciences Corp.	230,642	8,158
*	Catalent Inc.	214,297	7,522
*	athenahealth Inc.	53,325	7,495
*	Medidata Solutions Inc.	89,083	6,966
*	WellCare Health Plans Inc.	37,453	6,725
*	Exelixis Inc.	256,536	6,318
*,^	Novadaq Technologies Inc.	532,772	6,244
*	Veeva Systems Inc. Class A	97,296	5,965
*,^	Revance Therapeutics Inc.	219,197	5,787
*	Charles River Laboratories International Inc.	56,600	5,725
*	DexCom Inc.	77,874	5,697
*	Nevro Corp.	72,047	5,362
*	Masimo Corp.	58,011	5,289
*,^	Juno Therapeutics Inc.	174,886	5,227
*	Bluebird Bio Inc.	49,441	5,194
	Chemed Corp.	25,367	5,188
	Hill-Rom Holdings Inc.	64,303	5,119
*	Alnylam Pharmaceuticals Inc.	63,382	5,055
*	Insulet Corp.	95,929	4,922
*	PRA Health Sciences Inc.	65,173	4,889
*	OraSure Technologies Inc.	245,822	4,243
*	Neurocrine Biosciences Inc.	91,913	4,228
*	HealthEquity Inc.	83,173	4,145
*	DBV Technologies SA ADR	114,001	4,071
*	Align Technology Inc.	27,049	4,061
*	Array BioPharma Inc.	482,483	4,038
*	Quintiles IMS Holdings Inc.	45,017	4,029

		Shares	Market Value• ($000)
*	Hologic Inc.	88,264	4,005
*	IDEXX Laboratories Inc.	24,258	3,916
*,^	Endologix Inc.	799,023	3,883
*	Evolent Health Inc. Class A	150,517	3,816
	Bruker Corp.	129,622	3,738
*	Cardiovascular Systems Inc.	114,493	3,690
*	ABIOMED Inc.	25,544	3,660
*	Inogen Inc.	38,042	3,630
	PerkinElmer Inc.	52,855	3,602
	Patterson Cos. Inc.	76,332	3,584
*	Atara Biotherapeutics Inc.	235,339	3,295
*	FibroGen Inc.	100,846	3,257
*	Mettler-Toledo International Inc.	5,291	3,114
*	Quidel Corp.	97,914	2,657
*	BioCryst Pharmaceuticals Inc.	446,349	2,482
*	Cotiviti Holdings Inc.	64,189	2,384
*	Medpace Holdings Inc.	74,781	2,169
	HealthSouth Corp.	42,949	2,079
*	Coherus Biosciences Inc.	137,755	1,977
*	Emergent BioSolutions Inc.	56,741	1,924
*	United Therapeutics Corp.	14,745	1,913
*	Spectrum Pharmaceuticals Inc.	252,617	1,882
*	Cytokinetics Inc.	141,455	1,712
*	Heska Corp.	16,715	1,706
*	Ionis Pharmaceuticals Inc.	23,435	1,192
*	Progenics Pharmaceuticals Inc.	170,110	1,155
*,^	ImmunoGen Inc.	134,547	957
	LeMaitre Vascular Inc.	27,958	873
*	Vanda Pharmaceuticals Inc.	50,700	826
	Phibro Animal Health Corp. Class A	19,269	714
*	Amphastar Pharmaceuticals Inc.	38,200	682
*	Rigel Pharmaceuticals Inc.	243,981	666
*	Corcept Therapeutics Inc.	48,956	578
*	Infinity Pharmaceuticals Inc.	226,677	356
*	Ophthotech Corp.	123,973	317
*	Agenus Inc.	76,200	298
*	Genomic Health Inc.	7,500	244
*	Tivity Health Inc.	3,868	154
*	QIAGEN NV	4,411	148
^	Merrimack Pharmaceuticals Inc.	106,900	133
			300,437
	Industrials (20.7%)		
*	TriNet Group Inc.	734,488	24,047
*	Sensata Technologies Holding NV	412,039	17,602
*	Clean Harbors Inc.	284,288	15,872
*	Kirby Corp.	175,119	11,707
	Heartland Express Inc.	561,732	11,695
	HEICO Corp. Class A	184,518	11,449
	Forward Air Corp.	214,778	11,443
^	Wabtec Corp.	125,027	11,440
	Multi-Color Corp.	128,625	10,496
*	Proto Labs Inc.	144,463	9,715
	Tennant Co.	120,245	8,874
	MSC Industrial Direct Co. Inc. Class A	91,739	7,886
	Kennametal Inc.	200,509	7,503
*	United Rentals Inc.	66,432	7,488
^	Ritchie Bros Auctioneers Inc.	236,055	6,784
	Toro Co.	94,188	6,526
	Huntington Ingalls Industries Inc.	32,752	6,097
	Allegion plc	69,701	5,654
*	MasTec Inc.	116,900	5,278
	Brink's Co.	76,551	5,129
	John Bean Technologies Corp.	50,772	4,976
	Donaldson Co. Inc.	104,399	4,754
*	Advisory Board Co.	90,587	4,665
*	Hawaiian Holdings Inc.	94,093	4,418
*	Saia Inc.	81,692	4,191
	Wabash National Corp.	186,795	4,106
	Spirit AeroSystems Holdings Inc. Class A	70,633	4,092
	Woodward Inc.	59,570	4,026
	Argan Inc.	66,826	4,010
	Allison Transmission Holdings Inc.	104,357	3,914
*	Trex Co. Inc.	57,550	3,894
	General Cable Corp.	237,518	3,883
*	Univar Inc.	130,642	3,815
	Quad/Graphics Inc.	166,337	3,812
	Global Brass & Copper Holdings Inc.	122,615	3,746
	EnerSys	51,300	3,717
*	TrueBlue Inc.	127,502	3,379
*	Swift Transportation Co.	124,768	3,306
*	Atkore International Group Inc.	146,200	3,297
	LSC Communications Inc.	150,013	3,210
	Graco Inc.	27,901	3,049
*	Continental Building Products Inc.	117,457	2,737
*	Ply Gem Holdings Inc.	149,460	2,683
*	XPO Logistics Inc.	41,146	2,659
*	Meritor Inc.	159,512	2,649
	Robert Half International Inc.	47,979	2,300
	Greenbrier Cos. Inc.	41,217	1,906
	Kimball International Inc. Class B	88,930	1,484
	Brady Corp. Class A	41,908	1,421
*	Moog Inc. Class A	16,600	1,191
	Applied Industrial Technologies Inc.	19,628	1,159
	Landstar System Inc.	13,137	1,124
*	Roadrunner Transportation Systems Inc.	149,085	1,084
*	Quanta Services Inc.	31,747	1,045
*	YRC Worldwide Inc.	86,118	958
	Curtiss-Wright Corp.	9,286	852
	Copa Holdings SA Class A	7,197	842
	Insteel Industries Inc.	25,452	839
*	SP Plus Corp.	23,211	709
	Supreme Industries Inc. Class A	40,279	663
	Rollins Inc.	15,800	643
*	SPX Corp.	24,554	618
	Kforce Inc.	30,457	597
*	Rush Enterprises Inc. Class A	14,028	522
	Barrett Business Services Inc.	8,700	498
*	Neff Corp. Class A	25,589	486
	Raven Industries Inc.	13,100	436
*	JetBlue Airways Corp.	14,133	323
*	TriMas Corp.	13,366	279
*	Sparton Corp.	11,500	253
*	Sterling Construction Co. Inc.	13,830	181
*	Aerojet Rocketdyne Holdings Inc.	8,653	180
	Lincoln Electric Holdings Inc.	1,646	152
	Air Lease Corp. Class A	3,929	147
			318,565
	Information Technology (22.1%)		
*	Cadence Design Systems Inc.	623,101	20,868
	CDW Corp.	300,048	18,762
	SS&C Technologies Holdings Inc.	393,907	15,130
*	2U Inc.	282,684	13,264
	MAXIMUS Inc.	200,614	12,564
*	Trimble Inc.	323,214	11,529
*	Shutterstock Inc.	236,626	10,430
*	RealPage Inc.	268,959	9,669
*	Gartner Inc.	62,964	7,777
*	Descartes Systems Group Inc.	313,658	7,638
*	Callidus Software Inc.	311,622	7,541
*	Advanced Micro Devices Inc.	558,507	6,970
*	New Relic Inc.	156,165	6,717
*	Stratasys Ltd.	280,074	6,528
*,^	Cimpress NV	66,303	6,268
	CSRA Inc.	185,744	5,897
*	NCR Corp.	136,081	5,558
*	3D Systems Corp.	294,147	5,501
*	CoStar Group Inc.	20,653	5,444
*	Square Inc.	231,654	5,435
*	Zebra Technologies Corp.	53,681	5,396
	Booz Allen Hamilton Holding Corp. Class A	162,932	5,302
*	Cirrus Logic Inc.	84,065	5,273
*	Itron Inc.	70,872	4,802
*	Euronet Worldwide Inc.	53,569	4,680
	Science Applications International Corp.	67,045	4,654
*	Ciena Corp.	184,920	4,627
*	ChannelAdvisor Corp.	389,271	4,496
*	Unisys Corp.	337,901	4,325
*	Barracuda Networks Inc.	177,610	4,096
*	Box Inc.	223,525	4,077
*	Extreme Networks Inc.	435,854	4,019
	Travelport Worldwide Ltd.	289,502	3,984
*	Carbonite Inc.	182,264	3,973
*	TrueCar Inc.	198,283	3,952
*	Five9 Inc.	183,408	3,947
	TeleTech Holdings Inc.	96,574	3,940
*	Match Group Inc.	220,770	3,837
*	Zillow Group Inc. Class A	77,398	3,780
*	GoDaddy Inc. Class A	88,305	3,746
*	ON Semiconductor Corp.	264,672	3,716
*	Synaptics Inc.	70,891	3,666
*	Aspen Technology Inc.	65,664	3,629
*	A10 Networks Inc.	408,891	3,451
	Teradyne Inc.	113,659	3,413
*	Amkor Technology Inc.	345,913	3,380
	Hackett Group Inc.	197,182	3,056
*	Blucora Inc.	137,656	2,918
*	SPS Commerce Inc.	45,496	2,901
*	Wix.com Ltd.	40,759	2,837
*	Teradata Corp.	95,079	2,804
	CSG Systems International Inc.	51,377	2,085
*	Sykes Enterprises Inc.	61,898	2,075
*	Workiva Inc.	104,018	1,982
*	RingCentral Inc. Class A	51,073	1,867
*	TTM Technologies Inc.	101,628	1,764
	Avnet Inc.	43,101	1,676
*	Arista Networks Inc.	9,322	1,396

		Shares	Market Value• ($000)
*	Lumentum Holdings Inc.	24,146	1,377
*	Ultra Clean Holdings Inc.	61,487	1,153
*	Care.com Inc.	74,000	1,117
*	Cardtronics plc Class A	28,578	939
*	Everi Holdings Inc.	121,819	887
	Pegasystems Inc.	14,704	858
*	Eastman Kodak Co.	91,893	836
*	Avid Technology Inc.	156,948	826
*	Take-Two Interactive Software Inc.	11,035	810
*,^	Nutanix Inc.	39,970	805
*	Rosetta Stone Inc.	67,179	724
*	Bazaarvoice Inc.	127,769	632
	SYNNEX Corp.	5,118	614
*	PFSweb Inc.	73,268	605
*	ePlus Inc.	6,834	506
*	Super Micro Computer Inc.	18,800	463
*	IAC/InterActiveCorp	4,017	415
	Leidos Holdings Inc.	7,089	366
*	CommerceHub Inc. Class A	19,300	336
*	KEMET Corp.	24,120	309
*	Plexus Corp.	4,837	254
*	Brightcove Inc.	39,600	245
*	MINDBODY Inc. Class A	8,700	237
*	Varonis Systems Inc.	6,000	223
*	Radisys Corp.	52,098	196
*	Exa Corp.	13,800	190
*	ShoreTel Inc.	30,684	178
*	CommerceHub Inc.	9,200	160
*	Coherent Inc.	581	131
	Brooks Automation Inc.	5,804	126
			341,530
	Materials (3.2%)		
	Chemours Co.	166,054	6,297
*	Owens-Illinois Inc.	222,425	5,320
*	Louisiana-Pacific Corp.	203,934	4,917
	Huntsman Corp.	182,931	4,727
	Trinseo SA	64,901	4,459
	Steel Dynamics Inc.	121,262	4,342
	Silgan Holdings Inc.	122,894	3,906
	Rayonier Advanced Materials Inc.	217,430	3,418
*	Koppers Holdings Inc.	91,813	3,319
*	Crown Holdings Inc.	44,899	2,679
	Packaging Corp. of America	14,095	1,570
	Innophos Holdings Inc.	33,517	1,469
	KMG Chemicals Inc.	19,545	951
	American Vanguard Corp.	40,500	699
	Worthington Industries Inc.	10,097	507
	Kronos Worldwide Inc.	18,251	332
*	AdvanSix Inc.	4,948	155
			49,067
	Other (0.0%)		
*	NuPathe Inc. CVR	345,900	—
	Real Estate (2.3%)		
	National Storage Affiliates Trust	315,246	7,285
	Ryman Hospitality Properties Inc.	72,943	4,669
	Sabra Health Care REIT Inc.	165,260	3,983
^	Omega Healthcare Investors Inc.	120,609	3,982
	GEO Group Inc.	132,070	3,905
	Senior Housing Properties Trust	172,883	3,534
	Outfront Media Inc.	110,416	2,553
	STAG Industrial Inc.	66,861	1,845
	Colony NorthStar Inc. Class A	111,878	1,576
	Potlatch Corp.	34,004	1,554
	Washington Prime Group Inc.	80,469	674
	Hersha Hospitality Trust Class A	13,825	256
	Universal Health Realty Income Trust	2,900	231
			36,047
	Telecommunication Services (0.3%)		
*	Boingo Wireless Inc.	148,199	2,217
*	Zayo Group Holdings Inc.	63,438	1,960
	Windstream Holdings Inc.	234,972	912
			5,089
	Utilities (0.2%)		
	NRG Energy Inc.	68,034	1,171
	Ormat Technologies Inc.	18,828	1,105
^	Spark Energy Inc. Class A	29,840	561
			2,837
	Total Common Stocks (Cost $1,278,311)		1,439,951
	Temporary Cash Investments (8.1%)[1]		
	Money Market Fund (7.8%)		
2,3	Vanguard Market Liquidity Fund, 1.181%	1,210,519	121,076

		Face Amount ($000)	
	U.S. Government and Agency Obligations (0.3%)		
4	United States Treasury Bill, 0.918%, 9/14/17	1,600	1,597
4	United States Treasury Bill, 0.923%, 9/21/17	600	599
4	United States Treasury Bill, 0.980%–1.003%, 10/5/17	2,300	2,294
			4,490
	Total Temporary Cash Investments (Cost $125,562)		125,566
	Total Investments (101.5%) (Cost $1,403,873)		1,565,517

	Market Value• ($000)
Other Assets and Liabilities (-1.5%)	
Other Assets[3]	2,568
Liabilities[3]	(25,704)
	(23,136)
Net Assets (100%)	
Applicable to 69,540,959 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	1,542,381
Net Asset Value Per Share	$22.18

	Amount ($000)
Statement of Assets and Liabilities	
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	1,444,441
Affiliated Vanguard Funds	121,076
Total Investments in Securities	1,565,517
Investment in Vanguard	100
Receivables for Investment Securities Sold	749
Receivables for Accrued Income	545
Receivables for Capital Shares Issued	545
Other Assets[3]	629
Total Assets	1,568,085
Liabilities	
Payables for Investment Securities Purchased	2,576
Collateral for Securities on Loan	19,793
Payables to Investment Advisor	371
Payables for Capital Shares Redeemed	1,000
Payables to Vanguard	1,666
Other Liabilities	298
Total Liabilities	25,704
Net Assets	1,542,381

At June 30, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,251,653
Undistributed Net Investment Income	1,949
Accumulated Net Realized Gains	127,545
Unrealized Appreciation (Depreciation)	
Investment Securities	161,644
Futures Contracts	(410)
Net Assets	1,542,381

• 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 $19,099,000.

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 98.8% and 2.7%, 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 $19,793,000 of collateral received for securities on loan, of which $595,000 is held in cash.

4 Securities with a value of $4,190,000 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, 2017
	($000)
Investment Income	
Income	
Dividends[1]	5,438
Interest[1]	459
Securities Lending—Net	386
Total Income	6,283
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,102
Performance Adjustment	26
The Vanguard Group—Note C	
Management and Administrative	1,236
Marketing and Distribution	111
Custodian Fees	25
Shareholders' Reports	45
Trustees' Fees and Expenses	1
Total Expenses	2,546
Net Investment Income	**3,737**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	123,767
Futures Contracts	3,043
Foreign Currencies	3
Realized Net Gain (Loss)	**126,813**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	25,131
Futures Contracts	477
Change in Unrealized Appreciation (Depreciation)	**25,608**
Net Increase (Decrease) in Net Assets Resulting from Operations	**156,158**

1 Dividend income, interest income, and realized net gain (loss) from affiliated companies of the portfolio were $0, $444,000, and $9,397,000, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	3,737	7,352
Realized Net Gain (Loss)	126,813	100,817
Change in Unrealized Appreciation (Depreciation)	25,608	70,278
Net Increase (Decrease) in Net Assets Resulting from Operations	156,158	178,447
Distributions		
Net Investment Income	(7,204)	(4,424)
Realized Capital Gain[1]	(99,295)	(112,327)
Total Distributions	(106,499)	(116,751)
Capital Share Transactions		
Issued	100,708	162,394
Issued in Lieu of Cash Distributions	106,499	116,751
Redeemed	(111,900)	(199,340)
Net Increase (Decrease) from Capital Share Transactions	95,307	79,805
Total Increase (Decrease)	144,966	141,501
Net Assets		
Beginning of Period	**1,397,415**	**1,255,914**
End of Period[2]	**1,542,381**	**1,397,415**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $33,769,000 and $5,320,000, 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 $1,949,000 and $5,413,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2017	Year Ended December 31, 2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	**$21.50**	**$20.79**	**$24.14**	**$26.90**	**$20.08**	**$17.89**
Investment Operations						
Net Investment Income	.056	.116	.078	.085	.073	.155
Net Realized and Unrealized Gain (Loss) on Investments	2.265	2.547	(.577)	.610	8.674	2.462
Total from Investment Operations	2.321	2.663	(.499)	.695	8.747	2.617
Distributions						
Dividends from Net Investment Income	(.111)	(.074)	(.087)	(.075)	(.160)	(.045)
Distributions from Realized Capital Gains	(1.530)	(1.879)	(2.764)	(3.380)	(1.767)	(.382)
Total Distributions	(1.641)	(1.953)	(2.851)	(3.455)	(1.927)	(.427)
Net Asset Value, End of Period	**$22.18**	**$21.50**	**$20.79**	**$24.14**	**$26.90**	**$20.08**
Total Return	**11.23%**	**14.94%**	**-2.75%**	**3.38%**	**46.54%**	**14.65%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,542	$1,397	$1,256	$1,329	$1,406	$910
Ratio of Total Expenses to Average Net Assets[1]	0.35%	0.36%	0.37%	0.39%	0.38%	0.38%
Ratio of Net Investment Income to Average Net Assets	0.53%	0.58%	0.33%	0.34%	0.32%	0.78%
Portfolio Turnover Rate	91%	91%	57%	43%	64%	61%

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%, 0.00%, (0.01%), 0.01%, 0.01%, and 0.02%.

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 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.

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 Assets and Liabilities. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities 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, 2017, the portfolio's average investments in long and short futures contracts represented 5% 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, 2013–2016), and for the period ended June 30, 2017, 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 event 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 Assets and Liabilities 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. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

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, 2017, 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. ArrowMark Colorado Holdings, LLC (formerly Arrowpoint Asset Management, LLC), provides investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets. The basic fee of ArrowMark Colorado Holdings, LLC, is subject to quarterly adjustments based on performance relative to the Russell 2500 Growth Index since March 31, 2016. Until March 2017, a portion of the portfolio was managed by Granahan Investment Management, Inc. The basic fee paid to Granahan Investment Management, Inc., was subject to quarterly adjustments based on performance relative to the Russell 2000 Growth Index for the preceding three years.

Vanguard provides investment advisory services to a portion of the portfolio as described below; the portfolio paid Vanguard advisory fees of $364,000 for the six months ended June 30, 2017.

For the six months ended June 30, 2017, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.15% of the portfolio's average net assets, before an increase of $26,000 (0.00%) 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 Assets and Liabilities.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2017, the portfolio had contributed to Vanguard capital in the amount of $100,000, 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, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,439,951	—	—
Temporary Cash Investments	121,076	4,490	—
Futures Contracts—Liabilities[1]	(219)	—	—
Total	1,560,808	4,490	—

1 Represents variation margin on the last day of the reporting period.

E. At June 30, 2017, 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 2017	1,184	83,727	(410)

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, 2017, the cost of investment securities for tax purposes was $1,403,873,000. Net unrealized appreciation of investment securities for tax purposes was $161,644,000, consisting of unrealized gains of $212,003,000 on securities that had risen in value since their purchase and $50,359,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2017, the portfolio purchased $809,799,000 of investment securities and sold $847,573,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
	Shares (000)	Shares (000)
Issued	4,577	8,177
Issued in Lieu of Cash Distributions	5,074	6,660
Redeemed	(5,096)	(10,263)
Net Increase (Decrease) in Shares Outstanding	4,555	4,574

At June 30, 2017, 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, 2017, 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, 2017

Small Company Growth Portfolio	Beginning Account Value 12/31/2016	Ending Account Value 6/30/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,112.28	$1.83
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.06	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 (181/365).

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Variable Insurance Fund Small Company Growth Portfolio has renewed the portfolio's investment advisory arrangement with ArrowMark Colorado Holdings, LLC (formerly known as Arrowpoint Asset Management, LLC) (ArrowMark Partners), and The Vanguard Group, Inc. (Vanguard)—through its Quantitative Equity Group. The board determined that renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders. Please note that in February, the portfolio's trustees modified its investment advisory arrangement. Granahan Investment Management, Inc., no longer serves as one of the portfolio's advisors.

The board based its decisions upon an evaluation of each advisor's investment staff, portfolio management process, and performance. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisors and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also 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:

ArrowMark Partners. Founded in 2007, ArrowMark Partners offers a wide range of investment strategies, including equity, fixed income, and structured products to institutional, high net-worth, and retail investors. ArrowMark Partners uses in-depth, fundamental research to uncover companies that it believes can control their own economic destiny. These are companies with strong competitive advantages, high barriers to entry, large potential markets for their products, and high-quality business focused on future growth. In evaluating companies and constructing the portfolio, ArrowMark places significant emphasis on understanding risk in the belief that avoiding large mistakes is the key to success in small-cap investing. ArrowMark Partners has managed a portion of the portfolio since 2016.

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 compared with a relevant 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 expense 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 for this portfolio.

The board did not consider the profitability of ArrowMark Partners in determining whether to approve the advisory fee, because the firm is independent of Vanguard and the advisory fee is 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 rate with ArrowMark Partners 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 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 197 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. 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 email 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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