



The Patriot

Sentry Variable Account II

Semi-annual Report June 30, 2018

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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Janus Henderson VIT Forty 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 Forty Portfolio

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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 them 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, 2018, the Portfolio's Institutional Shares and Service Shares returned 11.31% and 11.20%, respectively, versus a return of 7.25% for the Portfolio's primary benchmark, the Russell 1000® Growth Index. The Portfolio's secondary benchmark, the S&P 500® Index, returned 2.65% for the period.

INVESTMENT ENVIRONMENT

Volatility returned to the U.S. equities market. Weighing on investor confidence were concerns that the Federal Reserve (Fed) may increase interest rates at a faster pace than currently projected. Global trade tensions were also a source of volatility. Despite these worries, U.S. stocks delivered gains during the period as a result of solid corporate earnings and increased merger-and-acquisition activity.

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.

Amazon was our largest contributor. Acceleration of its cloud business and continued margin improvement for its core retail business helped drive the stock. Potential for Amazon to leverage its platform to expand into new industries has also driven the stock higher in recent months. Amazon is a longtime holding in our Portfolio and our views on the company remain the same: The company's scale and distribution advantage have entrenched it as the dominant e-commerce platform, which should allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, Amazon Web Services is revolutionizing the way companies utilize IT services, using its scale to offer a disruptive pricing model to businesses seeking IT functions in the cloud.

Mastercard also contributed meaningfully to performance. The company has strung together several quarters of strong revenue and earnings growth. Mastercard is a longtime holding in the Portfolio, and similar to some of our other top contributors, the secular tailwinds and competitive advantages underpinning our investment thesis remain unchanged. Our long-term view is that there are network effects buttressing established payments businesses such as Mastercard, and that the company is poised to benefit as consumers and businesses switch from cash and check to plastic and electronic payments. Mastercard is particularly well positioned to benefit from this shift because a majority of its revenues are generated outside the U.S., where many markets have a lower penetration of card and electronic payments and are experiencing significantly faster electronic purchase volume growth.

Salesforce was another contributor. Strong revenue growth and continued appreciation for its business model drove the stock higher. We continue to like Salesforce's

Janus Henderson VIT Forty Portfolio (unaudited)

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, and as the company moves into new adjacencies beyond sales and marketing verticals.

While pleased with the results of most companies in our Portfolio, we still held stocks that detracted. Celgene was our largest detractor. Concerns about its product pipeline and patent risk for one of its largest drugs have been an overhang for the stock. An announcement that the company's business development chief was leaving also weighed on the stock.

Starbucks also detracted. The stock was down after the coffee company revised down its fiscal year 2018 guidance, due in large part to slowing growth in China. While the company will likely begin returning more cash to shareholders, its future growth has been called into question and we are reviewing the stock.

Citigroup was another detractor. Concerns about how tariffs or a potential trade war might impact the global business weighed on the stock. We are less concerned about a trade war, however, and believe the market is overlooking several positive tailwinds for the company including deregulation, rising interest rates and an increasing ability to return more cash to shareholders.

OUTLOOK

We are encouraged by the strength of the U.S. economy. While the expansion period has been long, the recovery has been muted and annual growth over the past decade has been near historical lows, leading us to believe we are still in the middle innings of expansion. While a trade war would be a headwind for growth, we still think that outcome is far from certain. Further, we believe other tailwinds such as deregulation and tax cuts could still buttress economic growth.

Valuations, however, look more full, and against that backdrop, companies will need to demonstrate earnings growth to drive further stock price appreciation. We believe our Portfolio is well positioned for this environment. Many of our holdings underpin some of the most powerful secular growth themes in today's economy: the shift from traditional brick and mortar shopping to online spending, the switch of enterprise software from on-premises to the cloud, a proliferation of connected devices in the home and business, the shift in autos from the combustible engine to electronic vehicles and a growing global middle class, to name a few. While these

themes may be well known, they are still nascent in their development. We remain confident in our companies' ability to grow earnings as these themes progress, and welcome an environment where earnings growth is a key determinant of stock performance.

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

Janus Henderson VIT Forty Portfolio (unaudited)
Portfolio At A Glance
June 30, 2018

5 Top Performers - Holdings

	Contribution		Contribution
Amazon.com Inc	1.98%	Celgene Corp	-0.65%
Mastercard Inc	1.63%	Starbucks Corp	-0.40%
salesforce.com Inc	1.52%	Shire PLC Sponsored ADR	-0.35%
Netflix Inc	0.85%	Citigroup Inc	-0.31%
Adobe Systems Inc	0.84%	Nektar Therapeutics	-0.28%

5 Bottom Performers - Holdings

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Information Technology	2.09%	43.78%	39.09%
Industrials	1.70%	4.79%	12.48%
Consumer Discretionary	1.22%	16.03%	18.66%
Consumer Staples	0.80%	0.00%	6.17%
Telecom Services	0.12%	0.00%	0.87%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Financials	-1.28%	10.67%	3.45%
Other**	-0.16%	3.12%	0.00%
Health Care	-0.12%	14.91%	12.69%
Materials	-0.02%	4.78%	3.43%
Utilities	0.00%	0.00%	0.01%

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, 2018

5 Largest Equity Holdings - (% of Net Assets)

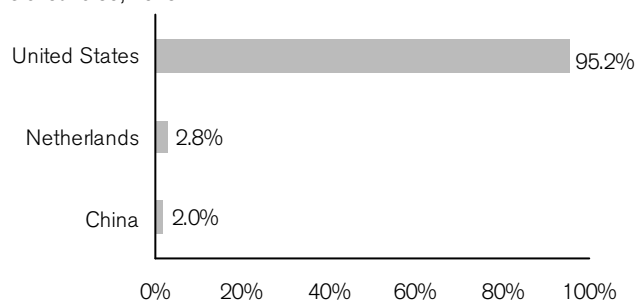
Amazon.com Inc	
Internet & Direct Marketing Retail	6.3%
Mastercard Inc	
Information Technology Services	6.0%
Alphabet Inc	
Internet Software & Services	5.9%
Microsoft Corp	
Software	5.7%
salesforce.com Inc	
Software	5.1%
	29.0%

Asset Allocation - (% of Net Assets)

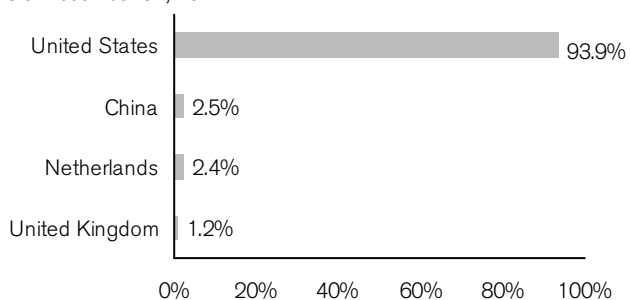
Common Stocks	97.2%
Investment Companies	3.0%
Other	(0.2)%
	100.0%

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

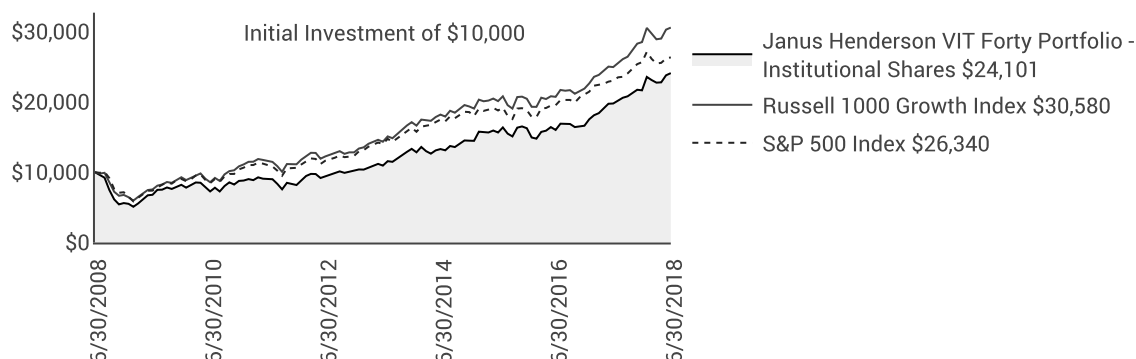
As of June 30, 2018



As of December 31, 2017



Janus Henderson VIT Forty Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2018						Expense Ratios - per the April 30, 2018 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	11.31%	21.86%	17.11%	9.20%	11.72%	0.82%
Service Shares	11.20%	21.58%	16.82%	8.92%	11.41%	1.06%
Russell 1000 Growth Index	7.25%	22.51%	16.36%	11.83%	7.84%	
S&P 500 Index	2.65%	14.37%	13.42%	10.17%	7.97%	
Morningstar Quartile - Institutional Shares	-	2nd	1st	3rd	1st	
Morningstar Ranking - based on total returns for Large Growth Funds	-	488/1,497	157/1,382	880/1,194	11/636	

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 800.668.0434 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.

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

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.

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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/fundalyzer.

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 (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Beginning Account Value (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Net Annualized Expense Ratio (1/1/18 - 6/30/18)
Institutional Shares	\$1,000.00	\$1,113.10	\$3.82	\$1,000.00	\$1,021.17	\$3.66	0.73%
Service Shares	\$1,000.00	\$1,112.00	\$5.08	\$1,000.00	\$1,019.98	\$4.86	0.97%

[†] 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, 2018

	Shares	Value
Common Stocks – 97.2%		
Aerospace & Defense – 2.2%		
Boeing Co	55,135	\$18,498,344
Auto Components – 1.8%		
Aptiv PLC	160,484	14,705,149
Banks – 4.2%		
Bank of America Corp	547,203	15,425,653
Citigroup Inc	294,511	19,708,676
		35,134,329
Biotechnology – 3.6%		
Celgene Corp*	156,694	12,444,637
Regeneron Pharmaceuticals Inc*	49,261	16,994,552
		29,439,189
Capital Markets – 5.7%		
Charles Schwab Corp	361,578	18,476,636
Goldman Sachs Group Inc	18,620	4,107,013
Intercontinental Exchange Inc	330,248	24,289,740
		46,873,389
Chemicals – 3.9%		
Air Products & Chemicals Inc	88,213	13,737,411
Sherwin-Williams Co	45,567	18,571,742
		32,309,153
Construction Materials – 1.0%		
Vulcan Materials Co	61,911	7,990,234
Electronic Equipment, Instruments & Components – 1.7%		
TE Connectivity Ltd	151,800	13,671,108
Equity Real Estate Investment Trusts (REITs) – 2.0%		
American Tower Corp	112,448	16,211,628
Health Care Equipment & Supplies – 5.2%		
Boston Scientific Corp*	702,799	22,981,527
Intuitive Surgical Inc*	41,356	19,788,019
		42,769,546
Health Care Providers & Services – 1.9%		
Humana Inc	54,017	16,077,080
Hotels, Restaurants & Leisure – 2.0%		
Starbucks Corp	337,145	16,469,533
Information Technology Services – 7.3%		
Mastercard Inc	251,687	49,461,529
PayPal Holdings Inc*	134,579	11,206,393
		60,667,922
Internet & Direct Marketing Retail – 9.1%		
Amazon.com Inc*	30,660	52,115,869
Booking Holdings Inc*	5,320	10,784,119
Netflix Inc*	32,596	12,759,052
		75,659,040
Internet Software & Services – 11.6%		
Alibaba Group Holding Ltd (ADR)*	88,136	16,351,872
Alphabet Inc*	43,499	48,529,659
Facebook Inc*	161,114	31,307,672
		96,189,203
Media – 0.9%		
Live Nation Entertainment Inc*	151,779	7,371,906
Pharmaceuticals – 4.2%		
Allergan PLC	91,562	15,265,217
Nektar Therapeutics*	63,224	3,087,228
Zoetis Inc	195,015	16,613,328
		34,965,773
Professional Services – 1.3%		
CoStar Group Inc*	25,550	10,542,697

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, 2018

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Road & Rail – 2.3%		
Union Pacific Corp	136,535	\$19,344,279
Semiconductor & Semiconductor Equipment – 7.8%		
ASML Holding NV	117,016	23,165,658
NVIDIA Corp	58,357	13,824,773
Texas Instruments Inc	246,365	27,161,741
		64,152,172
Software – 15.1%		
Activision Blizzard Inc	259,408	19,798,019
Adobe Systems Inc*	64,366	15,693,074
Microsoft Corp	480,336	47,365,933
salesforce.com Inc*	310,784	42,390,938
		125,247,964
Textiles, Apparel & Luxury Goods – 2.4%		
NIKE Inc	252,646	20,130,833
Total Common Stocks (cost \$526,595,709)		804,420,471
Investment Companies – 3.0%		
Money Markets – 3.0%		
Janus Henderson Cash Liquidity Fund LLC, 1.8501% [∞] (cost \$24,648,254)	24,648,254	24,648,254
Total Investments (total cost \$551,243,963) – 100.2%		829,068,725
Liabilities, net of Cash, Receivables and Other Assets – (0.2)%		(1,942,301)
Net Assets – 100%		\$827,126,424

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

<i>Country</i>	<i>Value</i>	<i>% of Investment Securities</i>
United States	\$789,551,195	95.2 %
Netherlands	23,165,658	2.8
China	16,351,872	2.0
Total	\$829,068,725	100.0 %

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, 2018

Schedules of Affiliated Investments – (% of Net Assets)

	<i>Dividend Income</i>	<i>Realized Gain/(Loss)</i>	<i>Change in Unrealized Appreciation/ Depreciation</i>	<i>Value at 6/30/18</i>
Investment Companies - 3.0%				
Money Markets - 3.0%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{oo}	\$ 194,195	\$ -	\$ -	\$ 24,648,254

	<i>Share Balance at 12/31/17</i>	<i>Purchases</i>	<i>Sales</i>	<i>Share Balance at 6/30/18</i>
Investment Companies - 3.0%				
Money Markets - 3.0%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{oo}	38,903,503	75,177,751	(89,433,000)	24,648,254

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.

°° Rate shown is the 7-day yield as of June 30, 2018.

£ 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 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, 2018. 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	\$	804,420,471	\$	-	\$	-
Investment Companies		-		24,648,254		-
Total Assets	\$	804,420,471	\$	24,648,254	\$	-

Janus Henderson VIT Forty Portfolio

Statement of Assets and Liabilities (unaudited)

June 30, 2018

Assets:		
Unaffiliated investments, at value ⁽¹⁾	\$	804,420,471
Affiliated investments, at value ⁽²⁾		24,648,254
Non-interested Trustees' deferred compensation		17,324
Receivables:		
Investments sold		3,925,347
Dividends		261,157
Portfolio shares sold		94,399
Dividends from affiliates		32,089
Other assets		1,546
Total Assets		833,400,587
Liabilities:		
Due to custodian		10,414
Payables:		
Investments purchased		5,092,003
Advisory fees		457,333
Portfolio shares repurchased		453,782
12b-1 Distribution and shareholder servicing fees		106,917
Transfer agent fees and expenses		38,365
Non-interested Trustees' deferred compensation fees		17,324
Non-affiliated portfolio administration fees payable		15,072
Professional fees		13,792
Non-interested Trustees' fees and expenses		7,178
Affiliated portfolio administration fees payable		1,786
Custodian fees		198
Accrued expenses and other payables		59,999
Total Liabilities		6,274,163
Net Assets	\$	827,126,424
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	518,527,820
Undistributed net investment income/(loss)		(107,304)
Undistributed net realized gain/(loss) from investments		30,878,428
Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation		277,827,480
Total Net Assets	\$	827,126,424
Net Assets - Institutional Shares	\$	333,147,432
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		8,670,494
Net Asset Value Per Share	\$	38.42
Net Assets - Service Shares	\$	493,978,992
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		13,632,824
Net Asset Value Per Share	\$	36.23

(1) Includes cost of \$526,595,709.

(2) Includes cost of \$24,648,254.

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2018

Investment Income:		
Dividends	\$	3,288,073
Dividends from affiliates		194,195
Foreign tax withheld		(29,706)
Total Investment Income		3,452,562
Expenses:		
Advisory fees		2,622,113
12b-1 Distribution and shareholder servicing fees:		
Service Shares		608,374
Transfer agent administrative fees and expenses:		
Institutional Shares		80,981
Service Shares		121,675
Other transfer agent fees and expenses:		
Institutional Shares		5,627
Service Shares		4,636
Professional fees		20,817
Affiliated portfolio administration fees		18,516
Non-affiliated portfolio administration fees		15,073
Non-interested Trustees' fees and expenses		13,376
Registration fees		9,124
Custodian fees		6,198
Other expenses		18,435
Total Expenses		3,544,945
Net Investment Income/(Loss)		(92,383)
Net Realized Gain/(Loss) on Investments:		
Investments		31,148,853
Total Net Realized Gain/(Loss) on Investments		31,148,853
Change in Unrealized Net Appreciation/Depreciation:		
Investments and non-interested Trustees' deferred compensation		54,645,810
Total Change in Unrealized Net Appreciation/Depreciation		54,645,810
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$	85,702,280

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio

Statements of Changes in Net Assets

	Period ended June 30, 2018 (unaudited)		Year ended December 31, 2017	
Operations:				
Net investment income/(loss)	\$	(92,383)	\$	(731,720)
Net realized gain/(loss) on investments		31,148,853		115,587,643
Change in unrealized net appreciation/depreciation		54,645,810		79,778,500
Net Increase/(Decrease) in Net Assets Resulting from Operations		85,702,280		194,634,423
Dividends and Distributions to Shareholders:				
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(44,744,555)		(15,738,032)
Service Shares		(70,046,355)		(24,926,390)
Net Decrease from Dividends and Distributions to Shareholders		(114,790,910)		(40,664,422)
Capital Share Transactions:				
Institutional Shares		34,253,151		(8,524,718)
Service Shares		45,735,071		(56,736,961)
Net Increase/(Decrease) from Capital Share Transactions		79,988,222		(65,261,679)
Net Increase/(Decrease) in Net Assets		50,899,592		88,708,322
Net Assets:				
Beginning of period		776,226,832		687,518,510
End of period	\$	827,126,424	\$	776,226,832
Undistributed Net Investment Income/(Loss)	\$	(107,304)	\$	(14,921)

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio

Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$39.76	\$32.19	\$36.37	\$40.27	\$53.34	\$40.95
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.03 ⁽¹⁾	0.02 ⁽¹⁾	0.05 ⁽¹⁾	0.03 ⁽¹⁾	0.03 ⁽¹⁾	0.38
Net realized and unrealized gain/(loss)	4.57	9.58	0.58	4.77	3.08	12.34
Total from Investment Operations	4.60	9.60	0.63	4.80	3.11	12.72
Less Dividends and Distributions:						
Dividends (from net investment income)	—	—	—	—	(0.09)	(0.33)
Distributions (from capital gains)	(5.94)	(2.03)	(4.81)	(8.70)	(16.09)	—
Total Dividends and Distributions	(5.94)	(2.03)	(4.81)	(8.70)	(16.18)	(0.33)
Net Asset Value, End of Period	\$38.42	\$39.76	\$32.19	\$36.37	\$40.27	\$53.34
Total Return*	11.31%	30.31%	2.20%	12.22%	8.73%	31.23%
Net Assets, End of Period (in thousands)	\$333,147	\$309,258	\$257,009	\$295,725	\$299,546	\$355,429
Average Net Assets for the Period (in thousands)	\$326,517	\$297,125	\$273,374	\$298,904	\$307,359	\$491,231
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.73%	0.82%	0.72%	0.69%	0.57%	0.55%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.73%	0.82%	0.72%	0.69%	0.57%	0.55%
Ratio of Net Investment Income/(Loss)	0.13%	0.05%	0.15%	0.08%	0.07%	0.31%
Portfolio Turnover Rate	19%	39%	53%	55%	46%	61%

Service Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$37.84	\$30.79	\$35.08	\$39.21	\$52.40	\$40.28
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	(0.02) ⁽¹⁾	(0.07) ⁽¹⁾	(0.03) ⁽¹⁾	(0.06) ⁽¹⁾	(0.07) ⁽¹⁾	— ⁽²⁾
Net realized and unrealized gain/(loss)	4.35	9.15	0.55	4.63	2.99	12.38
Total from Investment Operations	4.33	9.08	0.52	4.57	2.92	12.38
Less Dividends and Distributions:						
Dividends (from net investment income)	—	—	—	—	(0.02)	(0.26)
Distributions (from capital gains)	(5.94)	(2.03)	(4.81)	(8.70)	(16.09)	—
Total Dividends and Distributions	(5.94)	(2.03)	(4.81)	(8.70)	(16.11)	(0.26)
Net Asset Value, End of Period	\$36.23	\$37.84	\$30.79	\$35.08	\$39.21	\$52.40
Total Return*	11.20%	29.99%	1.94%	11.94%	8.47%	30.89%
Net Assets, End of Period (in thousands)	\$493,979	\$466,969	\$430,510	\$501,003	\$492,253	\$526,971
Average Net Assets for the Period (in thousands)	\$490,608	\$457,168	\$464,943	\$501,868	\$493,575	\$486,845
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.97%	1.06%	0.97%	0.94%	0.82%	0.81%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.97%	1.06%	0.97%	0.94%	0.82%	0.81%
Ratio of Net Investment Income/(Loss)	(0.12)%	(0.19)%	(0.09)%	(0.17)%	(0.17)%	0.04%
Portfolio Turnover Rate	19%	39%	53%	55%	46%	61%

* Total return not annualized for periods of less than one full year and does not include fees, charges, or expenses imposed by the variable annuity and life insurance contracts for which Janus Aspen Series serves as an underlying investment vehicle.

** 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.

Janus Henderson VIT Forty Portfolio

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Janus Henderson VIT 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 11 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

Janus Henderson VIT Forty Portfolio

Notes to Financial Statements (unaudited)

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, 2018 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.

Janus Henderson VIT Forty Portfolio

Notes to Financial Statements (unaudited)

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.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Currently, Management does not believe the bill will have a material impact on the Fund's intention to continue to qualify as a regulated investment company, which is generally not subject to U.S. federal income tax.

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,

Janus Henderson VIT Forty Portfolio

Notes to Financial Statements (unaudited)

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.

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.

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, 2018, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.72%.

Janus Services LLC ("Janus Services"), a wholly-owned subsidiary of Janus Capital, is the Portfolio's transfer agent. 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.

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Notes to Financial Statements (unaudited)

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 serves as administrator to the Portfolio pursuant to an administration agreement between Janus Capital and the Trust. Under the administration agreement, Janus Capital provides oversight and coordination of the Portfolio's service providers, recordkeeping, and other administrative services, and is reimbursed by the Portfolio for certain of its costs in providing these 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 pays for some or all of the salaries, fees, and expenses of 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 (or any subadvisor, as applicable) provides to the Portfolio. These amounts are disclosed as "Affiliated Portfolio administration fees" on the Statement of Operations. In addition, some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and certain compliance staff, all of whom are employees of Janus Capital and/or its affiliates, are shared with the Portfolio. Total compensation of \$20,480 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2018. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

Effective April 1, 2018, BNP Paribas Financial Services ("BPFS") provides certain administrative services to the Portfolio, including services related to Portfolio accounting, calculation of the Portfolio's daily NAV, and Portfolio audit, tax, and reporting obligations, pursuant to a sub-administration agreement with Janus Capital on behalf of the Portfolio. As compensation for such services, Janus Capital pays BPFS a fee based on a percentage of the Portfolio's assets, along with a flat fee, and is reimbursed by the Portfolio for amounts paid to BPFS (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These amounts are disclosed as "Non-affiliated portfolio administration fees" 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, 2018 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation,"

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Notes to Financial Statements (unaudited)

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, 2018 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 \$260,650 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2018.

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 Henderson 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 Henderson 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 Henderson Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Henderson Cash Liquidity Fund LLC. The units of Janus Henderson 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, 2018 can be found in the "Schedules of Affiliated Investments" located in the Schedule of Investments.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital 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, 2018, the Portfolio engaged in cross trades amounting to \$612,075 in sales, resulting in a net realized gain of \$232,052. 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, 2018 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ 551,513,709	\$287,840,128	\$(10,285,112)	\$ 277,555,016

Janus Henderson VIT Forty Portfolio

Notes to Financial Statements (unaudited)

5. Capital Share Transactions

	Period ended June 30, 2018		Year ended December 31, 2017	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	409,895	\$17,529,748	790,876	\$ 28,902,402
Reinvested dividends and distributions	1,145,241	44,744,555	427,548	15,738,032
Shares repurchased	(663,036)	(28,021,152)	(1,424,785)	(53,165,152)
Net Increase/(Decrease)	892,100	\$34,253,151	(206,361)	\$ (8,524,718)
Service Shares:				
Shares sold	505,964	\$20,409,119	1,169,490	\$ 40,949,527
Reinvested dividends and distributions	1,900,851	70,046,355	710,558	24,926,390
Shares repurchased	(1,114,908)	(44,720,403)	(3,522,268)	(122,612,878)
Net Increase/(Decrease)	1,291,907	\$45,735,071	(1,642,220)	\$ (56,736,961)

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2018, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, TBAs, and in-kind transactions, as applicable) was as follows:

<i>Purchases of Securities</i>	<i>Proceeds from Sales of Securities</i>	<i>Purchases of Long-Term U.S. Government Obligations</i>	<i>Proceeds from Sales of Long-Term U.S. Government Obligations</i>
\$146,733,466	\$ 173,220,523	\$ -	\$ -

7. Recent Accounting Pronouncements

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. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2018 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.

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Additional Information (unaudited)

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (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>.

Full Holdings

The Portfolio is required to disclose its complete holdings on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are 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) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free). Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

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 14 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 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 closed 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 prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 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, 2018 through February 1, 2019, 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

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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, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

- For Janus Henderson Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Long/Short Equity Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's

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Additional Information (unaudited)

underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Emerging Markets Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.

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Additional Information (unaudited)

- For Janus Henderson European Focus Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Equity Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Global Select Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson International Opportunities Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson International Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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Additional Information (unaudited)

Money Market Funds

- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Contrarian Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Enterprise Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Forty Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for

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the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

- For Janus Henderson Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital and Intech had taken or were taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Intech had taken or were taking to improve performance.
- For Janus Henderson U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

U.S. Equity Funds

- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Select Value Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

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Additional Information (unaudited)

- For Janus Henderson Forty Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Research Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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 Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

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.

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Additional Information (unaudited)

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 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% 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 clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (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; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

The Trustees considered the fees for each Fund for its fiscal year ended in 2016, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Alternative Funds

- For Janus Henderson Diversified Alternatives 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 International Long/Short 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 effective June 5, 2017.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, 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

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Additional Information (unaudited)

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, 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, 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.

Fixed-Income Funds

- For Janus Henderson 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, 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, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 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, 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 Real Return 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 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 waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic 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 effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity 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 Emerging Markets 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 effective June 5, 2017.
- For Janus Henderson European Focus 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

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Additional Information (unaudited)

Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson 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, the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 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, 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 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 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 International Opportunities 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 effective June 5, 2017.
- For Janus Henderson International Small Cap 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 effective June 5, 2017.
- For Janus Henderson 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 Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government 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.
- For Janus Henderson 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.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation 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 All Asset 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

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Additional Information (unaudited)

also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.

- For Janus Henderson Dividend & Income Builder 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 effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced 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 Contrarian 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 Enterprise 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 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, 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, the Trustees noted that, although the Fund's total expenses were equal to or 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 effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities 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 effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility 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.

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Additional Information (unaudited)

- For Janus Henderson 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, 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, 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.

U.S. Equity Funds

- For Janus Henderson Large 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 Mid 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 Select Value Fund, the Trustees noted that the Fund's total expenses were below the peer group averages for all share classes.
- For Janus Henderson Small Cap Value 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.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, 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.
- For Janus Henderson Enterprise Portfolio, 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.
- For Janus Henderson Flexible Bond Portfolio, 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 Portfolio, 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.
- For Janus Henderson Global Allocation Portfolio - 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.
- For Janus Henderson 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, 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, 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 Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.

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Additional Information (unaudited)

- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson 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.

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that 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. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were 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's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provided to each Fund. The Trustees also considered such estimated profitability taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Fund is necessarily a product of the allocation methodology utilized by Janus Capital to allocate its expenses as part of the estimated profitability calculation. In this regard, the Trustees noted that the independent fee consultant concluded that (1) the expense allocation methodology utilized by Janus Capital was reasonable and (2) the estimated profitability to Janus Capital from the investment management services it provided to each Fund was reasonable, including after taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. The Trustees also considered that the estimated profitability for an individual Fund was influenced by a number of factors, including not only the allocation methodology selected, but also the presence of fee waivers and expense caps, and whether the Fund's investment management agreement contained breakpoints or a performance fee component. The Trustees determined, after taking into account these factors, among others, that Janus Capital's estimated profitability with respect to each Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Funds was not a material factor in the Board's approval of the reasonableness of any Fund's investment management fees.

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 or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus

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Additional Information (unaudited)

Capital, Janus Capital is subsidizing certain of these 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 it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. 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.

January 2017

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

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Additional Information (unaudited)

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

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Additional Information (unaudited)

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.

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Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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 Henderson Overseas Fund (formerly, Janus 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.

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Additional Information (unaudited)

- 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

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Additional Information (unaudited)

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

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Additional Information (unaudited)

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.

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- 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

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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.

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- 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

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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

Janus Henderson VIT Forty Portfolio

Additional Information (unaudited)

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, 2018. 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 Forty 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

Janus Henderson VIT Forty Portfolio

Useful Information About Your Portfolio Report (unaudited)

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 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.

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Janus Henderson VIT 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 3.13% and 2.98%, respectively, for the six-month period ended June 30, 2018. That compares with 2.65% for the Portfolio's primary benchmark, the S&P 500[®] Index, and -1.62% 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 0.79%.

INVESTMENT ENVIRONMENT

Aided by optimism about strong economic growth and U.S. tax reform, equity markets hit all-time highs and corporate credit spreads reached cycle-tights early in 2018. Subsequently, volatility returned, stemming in large part from concerns that the Federal Reserve (Fed) may increase interest rates at a faster-than-projected pace. In the latter part of the period, investors grappled with geopolitical risks, including the increasing likelihood – and eventual approval – of a populist government in Italy. Escalating trade tensions between the U.S. and China caused further volatility. Within the S&P 500 Index, information technology and consumer discretionary stocks led the index higher. Telecommunications and consumer staples were the worst-performing sectors. Corporate credit spreads widened, with more pronounced widening in investment grade, as tapering demand, debt-funded consolidation activity and steady supply further impacted valuations.

The Fed ultimately raised rates twice, reflecting near-term confidence in the U.S. economy. However, stable long-term expectations contributed to a flatter yield curve. After cresting 3% intra-period, the yield on the 10-year Treasury note closed June at 2.86%, up from 2.40% in December.

PERFORMANCE DISCUSSION

The equity-to-fixed-income allocation ended the period approximately 62% equity, 38% 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. Growth equities performed well, creating a tailwind for our growth tilt. In particular, security selection in information technology aided relative returns. Multinational financial services corporation Mastercard was the portfolio's top individual contributor. The stock is a longtime holding in our portfolio and we continue to see our investment thesis play out, as the company benefits from consumers and businesses switching from cash and check to plastic and electronic payments. Mastercard is also poised to benefit from growth outside of the U.S., where many markets have a lower penetration of card and electronic payments and are experiencing significantly faster electronic purchase volume growth. Better-than-expected revenue growth and increasing payment volumes drove the stock higher during the period.

Computer software company Adobe Systems also performed well. Adobe has benefited from secular shifts towards Software as a Service (SaaS) and digital media. Indeed, revenue growth driven by its subscription-based services helped propel the stock higher during the period. We continue to see upside for the stock, as the subscription-based model increases Adobe's total assessable digital media market, and more advertisers rely on its software to create digital content.

While pleased with the performance of our equity sleeve during the period, some holdings disappointed. Altria Group led detractors. The stock fell during the period on weaker cigarette volumes, which were partially driven by rising excise taxes in California. We continue to hold the position. The decline in cigarette volumes has slowed, and

Janus Henderson VIT Balanced Portfolio (unaudited)

the company continues to build out its portfolio of e-cigarettes, which is a growing marketplace with evolving preferences and product offerings. We believe Altria's cash flows should grow moderately as the company improves margins and grows the non-cigarette business. We also appreciate Altria's high dividend yield.

Comcast also detracted. The stock was down due to concern and confusion over the company's bid for Sky TV, a European pay-TV provider. We continue to see upside for the stock, and like its position as a cable distribution platform and owner of strong content assets.

The Portfolio's fixed income sleeve outperformed the Bloomberg Barclays U.S. Aggregate Bond Index.

We maintained a cautious stance, but remained opportunistic throughout the period. Corporate valuations remain rich, rates are rising and risk is skewed to the downside at this late stage of the economic and credit cycles. We are concerned with debt-funded merger and acquisition (M&A) activity in the investment-grade space and the impact of rising hedging costs on foreign demand for U.S. fixed income. Further, we believe that the incremental yield investors receive for extending duration in corporate credit is generally insufficient at this juncture. In light of this landscape, we significantly reduced our corporate credit exposure and increased our emphasis on issues with shorter-dated maturities. We diversified our credit portfolio by adding to front-end and floating-rate securitized products and bank loans that can offer more attractive risk-adjusted carry opportunities with less interest rate risk than longer duration credit. We extended duration in our Treasury bucket to balance our shorter-dated credit exposure. Portfolio duration ended the period at 91% of the index.

Our diversified spread product exposure proved beneficial. Our out-of-index allocation to bank loans contributed positively toward relative results. We continue to like the stable carry (a measure of excess income) and short-term nature of the securities. Positioning in mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS) also contributed to relative returns. Our overweight allocation to asset-backed securities (ABS) further aided relative results. Low unemployment, the strength of consumer balance sheets and personal tax reform give us confidence in the consumer and we are finding attractive relative value opportunities in shorter-dated, consumer-driven ABS stories. Our investment-grade corporate credit positioning also contributed to

relative performance, due to strong security selection and spread carry.

Our Treasury allocation detracted on a relative basis. Our underweight allocation and curve positioning weighed on results as investors flocked to more defensive assets on multiple occasions. As corporate credit spreads widened, our out-of-index allocation to high yield also weighed on performance.

OUTLOOK

We believe equities will continue to present more attractive risk-adjusted opportunities relative to fixed income. In our view, valuations remain reasonable for the amount of free cash flow companies are generating. Further, companies are utilizing tax savings to reinvest in their businesses, which has resulted in solid revenue growth and strong earnings. Modest wage growth and continued strength in consumer spending should also provide a tailwind for equities going forward. We remain optimistic for economic growth, and expect secular themes such as the conversion to cloud computing, SaaS and growth in technological connectivity to continue to build momentum and prove beneficial for a number of our holdings. We are mindful that trade policy could negatively affect these trends, and believe that the potential for tariffs to materialize into a full-blown trade war is the single biggest threat to our outlook and many of the multinational companies we own. If protectionism ramps up significantly, it could spark inflation while simultaneously slowing economic growth. However, we are cautiously optimistic that rational trade policies will ultimately be implemented and that equities will continue to be positively impacted by tax reform and capital spending.

Within the fixed income sleeve, we remain concerned with rising rates, rich valuations and debt-funded consolidation activity amid the later stages of the economic and credit cycles. We anticipate a higher, but flatter Treasury curve. However, with the return of volatility, we are mindful that geopolitical risks could put rate hikes on pause and steer investors toward more defensive assets. We intend to maintain duration modestly below that of the benchmark, but will continue in our tactical approach to yield curve positioning. We believe it is prudent to limit credit risk at this point in the cycle, but we remain opportunistic. We will continue to emphasize favorable risk-adjusted carry opportunities in shorter-dated and floating rate spread products with minimal interest rate risk. Our analysts are also seeking issuers with fundamental improvement

Janus Henderson VIT Balanced Portfolio (unaudited)

stories and the potential to generate outperformance as they progress through an upgrade cycle. We are monitoring the widening in investment-grade spreads for attractive re-entry points. Given the asymmetric risk at this point of the cycle, we believe security avoidance is as important as security selection. This approach aligns with our core tenets of capital preservation and delivering strong risk-adjusted returns.

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

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Portfolio At A Glance

June 30, 2018

5 Top Performers - Holdings

	Contribution		Contribution
Mastercard Inc	1.31%	Altria Group Inc	-0.62%
Adobe Systems Inc	1.01%	Comcast Corp	-0.44%
Microsoft Corp	0.90%	Colony Capital Inc	-0.31%
Boeing Co	0.67%	Synchrony Financial	-0.23%
NIKE Inc	0.43%	Hershey Co	-0.18%

5 Bottom Performers - Holdings

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Information Technology	1.65%	26.92%	25.05%
Industrials	0.92%	14.06%	10.09%
Consumer Staples	0.73%	10.47%	7.37%
Financials	0.67%	13.34%	14.67%
Health Care	0.48%	10.14%	13.88%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Consumer Discretionary	-1.08%	14.84%	12.73%
Real Estate	-0.29%	3.47%	2.70%
Other**	-0.04%	1.17%	0.00%
Utilities	0.06%	0.00%	2.76%
Materials	0.13%	2.95%	2.87%

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 Balanced Portfolio (unaudited)

Portfolio At A Glance

June 30, 2018

5 Largest Equity Holdings - (% of Net Assets)

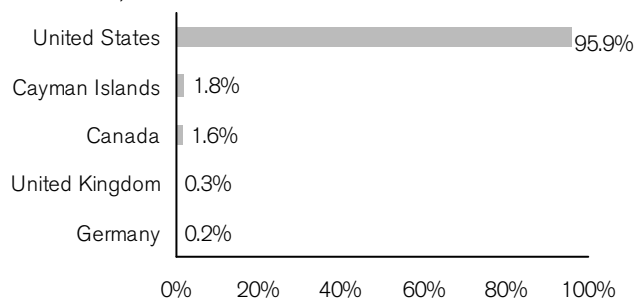
Microsoft Corp	
Software	3.5%
Mastercard Inc	
Information Technology Services	2.7%
Alphabet Inc	
Internet Software & Services	2.3%
Boeing Co	
Aerospace & Defense	2.1%
US Bancorp	
Banks	1.9%
	12.5%

Asset Allocation - (% of Net Assets)

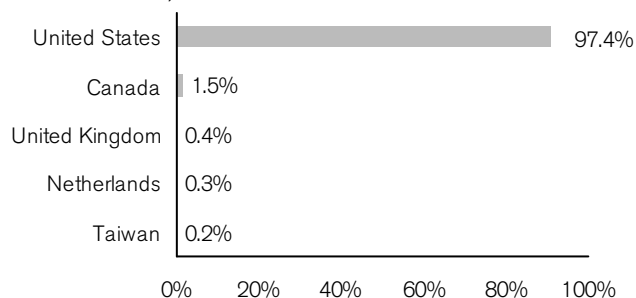
Common Stocks	61.7%
Corporate Bonds	11.2%
United States Treasury	
Notes/Bonds	10.7%
Mortgage-Backed Securities	8.6%
Asset-Backed/Commercial	
Mortgage-Backed Securities	5.1%
Investment Companies	2.4%
Bank Loans and Mezzanine Loans	1.8%
Other	(1.5)%
	100.0%

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

As of June 30, 2018

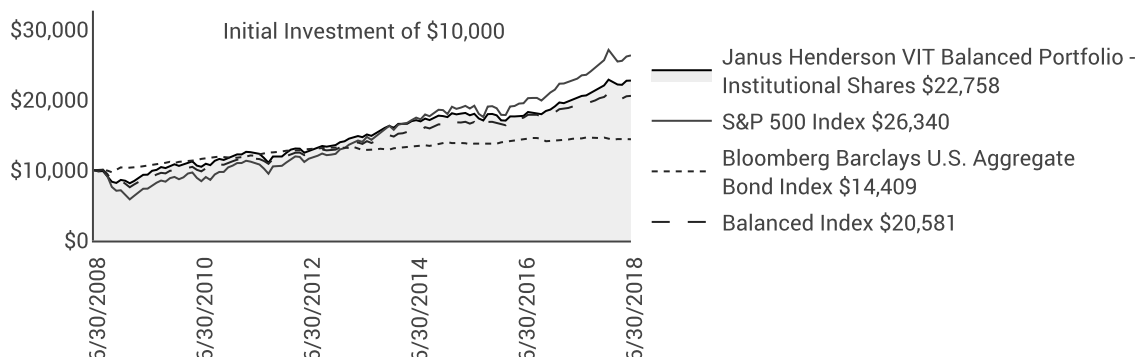


As of December 31, 2017



Janus Henderson VIT Balanced Portfolio (unaudited)

Performance



Average Annual Total Return - for the periods ended June 30, 2018						Expense Ratios - per the April 30, 2018 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	3.13%	12.58%	9.13%	8.57%	9.87%	0.63%
Service Shares	2.98%	12.28%	8.85%	8.30%	9.69%	0.88%
S&P 500 Index	2.65%	14.37%	13.42%	10.17%	9.54%	
Bloomberg Barclays U.S. Aggregate Bond Index	-1.62%	-0.40%	2.27%	3.72%	5.04%	
Balanced Index	0.79%	7.60%	8.41%	7.48%	7.76%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Allocation - 50% to 70% Equity Funds	-	11/784	43/713	15/579	9/217	

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 800.668.0434 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.

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

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.

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See important disclosures on the next page.

Janus Henderson VIT Balanced 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 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/fundalyzer.

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 (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Beginning Account Value (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Net Annualized Expense Ratio (1/1/18 - 6/30/18)
Institutional Shares	\$1,000.00	\$1,031.30	\$3.17	\$1,000.00	\$1,021.67	\$3.16	0.63%
Service Shares	\$1,000.00	\$1,029.80	\$4.43	\$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, 2018

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – 5.1%		
AmeriCredit Automobile Receivables 2016-1, 3.5900%, 2/8/22	\$1,953,000	\$1,963,667
AmeriCredit Automobile Receivables Trust 2015-2, 3.0000%, 6/8/21	1,341,000	1,340,214
AmeriCredit Automobile Receivables Trust 2016-2, 3.6500%, 5/9/22	1,322,000	1,332,410
Angel Oak Mortgage Trust I LLC 2018-2, 3.6740%, 7/27/48 (144A) [†]	881,000	880,992
Applebee's Funding LLC / IHOP Funding LLC, 4.2770%, 9/5/44 (144A)	8,374,715	8,306,409
Arroyo Mortgage Trust 2018-1, 3.7630%, 4/25/48 (144A) [†]	1,332,492	1,334,987
Atrium IX, ICE LIBOR USD 3 Month + 1.2400%, 3.5594%, 5/28/30 (144A) [†]	1,937,100	1,942,514
Bain Capital Credit CLO 2018-1, ICE LIBOR USD 3 Month + 0.9600%, 3.3216%, 4/23/31 (144A) [†]	4,261,000	4,244,501
BAMLL Commercial Mortgage Securities Trust 2013-WBRK, 3.6521%, 3/10/37 (144A) [†]	2,123,000	2,093,770
BAMLL Commercial Mortgage Securities Trust 2014-FL1, ICE LIBOR USD 1 Month + 5.5000%, 5.5310%, 12/15/31 (144A) [†]	896,955	864,877
BAMLL Commercial Mortgage Securities Trust 2014-FL1, ICE LIBOR USD 1 Month + 4.0000%, 6.5341%, 12/15/31 (144A) [†]	198,000	195,341
BBCMS 2018-TALL Mortgage Trust, ICE LIBOR USD 1 Month + 0.7220%, 2.7953%, 3/15/37 (144A) [†]	10,423,000	10,406,600
BBCMS Trust 2015-SRCH, 4.1970%, 8/10/35 (144A)	2,528,000	2,602,697
Bean Creek CLO Ltd, ICE LIBOR USD 3 Month + 1.0200%, 3.3787%, 4/20/31 (144A) [†]	2,736,000	2,729,893
BXP Trust 2017-GM, 3.3790%, 6/13/39 (144A)	1,140,000	1,106,962
Caesars Palace Las Vegas Trust 2017-VICI, 4.1384%, 10/15/34 (144A)	1,621,000	1,633,715
Caesars Palace Las Vegas Trust 2017-VICI, 4.4991%, 10/15/34 (144A) [†]	2,298,000	2,255,636
Caesars Palace Las Vegas Trust 2017-VICI, 4.4991%, 10/15/34 (144A) [†]	1,690,000	1,700,085
Carlyle Global Market Strategies CLO 2014-2R Ltd, ICE LIBOR USD 3 Month + 1.0500%, 3.0300%, 5/15/31 (144A) [†]	4,100,000	4,090,713
Carlyle US CLO 2018-1 Ltd, ICE LIBOR USD 3 Month + 1.0200%, 3.0752%, 4/20/31 (144A) [†]	5,123,000	5,104,030
CGMS Commercial Mortgage Trust 2017-MDDR, ICE LIBOR USD 1 Month + 1.7500%, 3.8233%, 7/15/30 (144A) [†]	968,000	967,273
CGMS Commercial Mortgage Trust 2017-MDDR, ICE LIBOR USD 1 Month + 2.5000%, 4.5733%, 7/15/30 (144A) [†]	610,000	609,323
CIFC Funding 2013-IV Ltd, ICE LIBOR USD 3 Month + 1.0600%, 3.1463%, 4/27/31 (144A) [†]	1,630,784	1,630,730
CIFC Funding 2018-I Ltd, ICE LIBOR USD 3 Month + 1.0000%, 3.1572%, 4/18/31 (144A) [†]	1,833,000	1,821,612
CIFC Funding 2018-II Ltd, ICE LIBOR USD 3 Month + 1.0400%, 3.0929%, 4/20/31 (144A) [†]	3,197,000	3,187,988
Credit Acceptance Auto Loan Trust 2018-2, 3.4700%, 5/17/27 (144A)	1,769,000	1,772,876
Credit Acceptance Auto Loan Trust 2018-2, 3.9400%, 7/15/27 (144A)	1,172,000	1,175,209
Credit Acceptance Auto Loan Trust 2018-2, 4.1600%, 9/15/27 (144A)	576,000	579,224
CSMLT 2015-2 Trust, 3.5000%, 8/25/45 (144A) [†]	1,661,121	1,651,647
Drive Auto Receivables Trust 2017-1, 3.8400%, 3/15/23	283,000	285,399
Drive Auto Receivables Trust 2017-A, 4.1600%, 5/15/24 (144A)	1,638,000	1,658,224
Dryden 41 Senior Loan Fund, ICE LIBOR USD 3 Month + 0.9700%, 3.3177%, 4/15/31 (144A) [†]	2,511,000	2,494,232
Dryden 55 CLO Ltd, ICE LIBOR USD 3 Month + 1.0200%, 3.0613%, 4/15/31 (144A) [†]	1,550,000	1,547,427
Dryden 64 CLO Ltd, ICE LIBOR USD 3 Month + 0.9700%, 3.1895%, 4/18/31 (144A) [†]	3,614,000	3,607,741
Evergreen Credit Card Trust, 2.9500%, 3/15/23 (144A)	966,000	962,068
Exeter Automobile Receivables Trust 2018-2, 3.6900%, 3/15/23 (144A)	1,280,000	1,278,195
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 2.6000%, 4.6911%, 5/25/24 [†]	1,329,002	1,410,085
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 3.0000%, 5.0911%, 7/25/24 [†]	5,881,290	6,303,395
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 4.0000%, 6.0911%, 5/25/25 [†]	530,399	580,843
Fannie Mae REMICS, 3.0000%, 5/25/48	4,086,803	3,963,695
Flagship Credit Auto Trust 2016-3, 2.7200%, 7/15/22 (144A)	1,250,000	1,237,643

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, 2018

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – (continued)		
Flatiron CLO 18 Ltd, ICE LIBOR USD 3 Month + 0.9500%, 3.4174%, 4/17/31 (144A) [†]	\$1,972,000	\$1,960,969
Freddie Mac Structured Agency Credit Risk Debt Notes, ICE LIBOR USD 1 Month + 4.5000%, 6.5911%, 2/25/24 [‡]	3,803,000	4,385,679
Freddie Mac Structured Agency Credit Risk Debt Notes, ICE LIBOR USD 1 Month + 3.6000%, 5.6911%, 4/25/24 [‡]	2,753,620	3,054,564
GSCCRE Commercial Mortgage Trust 2015-HULA, ICE LIBOR USD 1 Month + 4.4000%, 6.4733%, 8/15/32 (144A) [†]	1,744,000	1,748,779
J.P. Morgan Chase Commercial Mortgage Securities Trust 2016-WIKI, 3.5537%, 10/5/31 (144A)	379,000	373,019
J.P. Morgan Chase Commercial Mortgage Securities Trust 2016-WIKI, 4.1426%, 10/5/31 (144A) [†]	579,000	568,648
JP Morgan Chase Commercial Mortgage Securities Trust 2010-C2, 5.8279%, 11/15/43 (144A) [†]	1,037,000	1,027,484
JP Morgan Chase Commercial Mortgage Securities Trust 2015-UES, 3.7417%, 9/5/32 (144A) [†]	1,231,000	1,213,565
LCM XIV LP, ICE LIBOR USD 3 Month + 1.0400%, 3.4398%, 7/20/31 (144A) [†]	1,146,158	1,146,132
LCM XVIII LP, ICE LIBOR USD 3 Month + 1.0200%, 3.5000%, 4/20/31 (144A) [†]	4,820,000	4,811,816
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 0.8000%, 2.8911%, 11/25/50 (144A) ^{†,§}	3,920,000	3,907,502
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 1.0000%, 3.0911%, 11/25/50 (144A) ^{†,§}	772,000	770,081
Magnetite VIII Ltd, ICE LIBOR USD 3 Month + 0.9800%, 3.0717%, 4/15/31 (144A) [†]	4,853,000	4,845,449
Magnetite XV Ltd, ICE LIBOR USD 3 Month + 1.0100%, 3.0921%, 7/25/31 (144A) [†]	2,642,130	2,642,130
MSSG Trust 2017-237P, 3.3970%, 9/13/39 (144A)	1,360,000	1,318,600
New Residential Mortgage Loan Trust 2017-3, 4.0000%, 4/25/57 (144A) [†]	1,653,205	1,669,122
New Residential Mortgage Loan Trust 2018-2, 4.5000%, 2/25/58 (144A) [†]	1,515,654	1,553,837
Octagon Investment Partners 36 Ltd, ICE LIBOR USD 3 Month + 0.9700%, 2.7264%, 4/15/31 (144A) [†]	4,883,000	4,869,699
OSCAR US Funding Trust V, 2.7300%, 12/15/20 (144A)	650,000	648,034
OSCAR US Funding Trust V, 2.9900%, 12/15/23 (144A)	876,000	869,925
PFS Financing Corp, 2.4000%, 10/17/22 (144A)	1,081,000	1,061,078
Santander Drive Auto Receivables Trust 2015-1, 3.2400%, 4/15/21	1,406,000	1,408,100
Santander Drive Auto Receivables Trust 2015-4, 3.5300%, 8/16/21	2,408,000	2,422,724
Santander Drive Auto Receivables Trust 2018-1, 4.3700%, 5/15/25 (144A)	4,050,000	4,000,601
Sequoia Mortgage Trust 2018-CH2, 4.0000%, 6/25/48 (144A) [†]	3,969,055	4,015,634
Sounds Point CLO IV-R LTD, ICE LIBOR USD 3 Month + 1.1500%, 3.6514%, 4/18/31 (144A) [†]	2,594,000	2,594,275
Starwood Retail Property Trust 2014-STAR, ICE LIBOR USD 1 Month + 2.5000%, 4.5733%, 11/15/27 (144A) [†]	746,000	738,097
Starwood Retail Property Trust 2014-STAR, ICE LIBOR USD 1 Month + 3.2500%, 5.3233%, 11/15/27 (144A) [†]	2,291,000	2,224,495
Starwood Retail Property Trust 2014-STAR, ICE LIBOR USD 1 Month + 4.1500%, 6.2233%, 11/15/27 (144A) [†]	1,228,000	1,154,730
Station Place Securitization Trust 2017-3, ICE LIBOR USD 1 Month + 1.0000%, 2.9613%, 7/24/18 (144A) ^{†,§}	3,142,000	3,142,088
Towd Point Mortgage Trust 2015-3, 3.5000%, 3/25/54 (144A) [†]	98,698	98,624
Towd Point Mortgage Trust 2018-2, 3.2500%, 3/25/58 (144A) [†]	1,990,989	1,970,582
Towd Point Mortgage Trust 2018-3, 3.7500%, 5/25/58 (144A) [†]	1,189,000	1,189,432
Verizon Owner Trust 2016-2, 2.3600%, 5/20/21 (144A)	1,724,000	1,694,848
Voya CLO 2018-1 Ltd, ICE LIBOR USD 3 Month + 0.9500%, 3.2931%, 4/19/31 (144A) [†]	5,283,000	5,267,996
Voya CLO 2018-2 Ltd, ICE LIBOR USD 3 Month + 1.0000%, 3.3740%, 7/15/31 (144A) [†]	4,499,224	4,499,224
Wachovia Bank Commercial Mortgage Trust Series 2007-C30, 5.4130%, 12/15/43 [‡]	1,186,024	1,194,355
Wachovia Bank Commercial Mortgage Trust Series 2007-C34, 6.3093%, 5/15/46 [‡]	516,767	525,474
Westlake Automobile Receivables Trust 2018-1, 2.9200%, 5/15/23 (144A)	199,000	197,279

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, 2018

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – (continued)		
Westlake Automobile Receivables Trust 2018-1, 3.4100%, 5/15/23 (144A)	\$198,000	\$196,805
Westlake Automobile Receivables Trust 2018-2, 3.2000%, 1/16/24 (144A)	459,000	459,064
Westlake Automobile Receivables Trust 2018-2, 3.5000%, 1/16/24 (144A)	791,000	793,045
WinWater Mortgage Loan Trust 2015-5, 3.5000%, 8/20/45 (144A) [†]	4,863,619	4,824,349
Total Asset-Backed/Commercial Mortgage-Backed Securities (cost \$184,417,692)		183,912,775
Bank Loans and Mezzanine Loans – 1.8%		
Basic Industry – 0.1%		
Axalta Coating Systems US Holdings Inc, ICE LIBOR USD 3 Month + 1.7500%, 4.0844%, 6/1/24 [†]	5,814,818	5,778,475
Capital Goods – 0.1%		
Reynolds Group Holdings Inc, ICE LIBOR USD 3 Month + 2.7500%, 4.8435%, 2/5/23 [†]	3,807,679	3,796,561
Communications – 0.3%		
Mission Broadcasting Inc, ICE LIBOR USD 3 Month + 2.5000%, 4.4825%, 1/17/24 [†]	223,427	222,978
Nexstar Broadcasting Inc, ICE LIBOR USD 3 Month + 2.5000%, 4.4825%, 1/17/24 [†]	1,719,933	1,716,476
Nielsen Finance LLC, ICE LIBOR USD 3 Month + 2.0000%, 4.0464%, 10/4/23 [†]	3,753,453	3,747,898
Sinclair Television Group Inc, ICE LIBOR USD 3 Month + 2.5000%, 0%, 12/12/24 ^{(a),†}	2,660,000	2,648,376
Zayo Group LLC, ICE LIBOR USD 3 Month + 2.0000%, 4.0935%, 1/19/21 [†]	204,413	203,934
Zayo Group LLC, ICE LIBOR USD 3 Month + 2.2500%, 4.3435%, 1/19/24 [†]	1,881,066	1,878,395
		10,418,057
Consumer Cyclical – 0.5%		
Aramark Services Inc, ICE LIBOR USD 3 Month + 1.7500%, 3.7154%, 3/28/24 [†]	2,148,180	2,145,495
Golden Nugget Inc/NV, ICE LIBOR USD 3 Month + 3.2500%, 4.8230%, 10/4/23 [†]	2,422,543	2,417,843
Hilton Worldwide Finance LLC, ICE LIBOR USD 3 Month + 1.7500%, 3.8411%, 10/25/23 [†]	4,698,005	4,696,032
KFC Holding Co, ICE LIBOR USD 3 Month + 1.7500%, 3.8351%, 4/3/25 [†]	6,533,822	6,464,432
Wyndham Hotels & Resorts Inc, ICE LIBOR USD 3 Month + 1.7500%, 3.7256%, 5/30/25 [†]	1,099,000	1,096,253
		16,820,055
Consumer Non-Cyclical – 0.4%		
Coty Inc, ICE LIBOR USD 3 Month + 2.2500%, 4.2796%, 4/7/25 [†]	3,604,064	3,518,467
Gentiva Health Services Inc, ICE LIBOR USD 3 Month + 3.7500%, 0%, 6/23/25 ^{(a),†}	3,731,000	3,703,017
Gentiva Health Services Inc, ICE LIBOR USD 3 Month + 3.7500%, 0%, 6/23/25 ^{(a),†}	2,331,997	2,314,507
IQVIA Inc, ICE LIBOR USD 3 Month + 2.0000%, 4.3344%, 3/7/24 [†]	417,794	417,143
Moffett Towers Phase II, ICE LIBOR USD 1 Month + 2.8000%, 4.8740%, 6/15/21 ^{†,§}	3,788,122	3,765,622
Post Holdings Inc, ICE LIBOR USD 3 Month + 2.0000%, 4.1000%, 5/24/24 [†]	597,960	593,930
Valeant Pharmaceuticals International Inc, ICE LIBOR USD 3 Month + 3.0000%, 4.9825%, 6/2/25 [†]	158,000	157,359
		14,470,045
Electric – 0%		
NRG Energy Inc, ICE LIBOR USD 3 Month + 1.7500%, 4.0844%, 6/30/23 [†]	222,863	221,276
Technology – 0.4%		
CommScope Inc, ICE LIBOR USD 3 Month + 2.0000%, 4.0935%, 12/29/22 [†]	2,406,528	2,412,544
Microchip Technology Inc, ICE LIBOR USD 3 Month + 2.0000%, 4.1000%, 5/29/25 [†]	3,590,000	3,582,533
SS&C Technologies Holdings Europe Sarl, ICE LIBOR USD 3 Month + 2.5000%, 4.5935%, 4/16/25 [†]	2,176,698	2,175,480
SS&C Technologies Inc, ICE LIBOR USD 3 Month + 2.5000%, 4.5935%, 4/16/25 [†]	5,880,777	5,877,484
		14,048,041
Total Bank Loans and Mezzanine Loans (cost \$65,925,039)		65,552,510
Corporate Bonds – 11.2%		
Banking – 2.0%		
Ally Financial Inc, 3.2500%, 11/5/18	1,451,000	1,451,000

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, 2018

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Banking – (continued)		
Ally Financial Inc, 8.0000%, 12/31/18	\$840,000	\$855,750
Bank of America Corp, 2.5030%, 10/21/22	9,737,000	9,319,460
Capital One Financial Corp, 3.3000%, 10/30/24	1,425,000	1,352,911
Citibank NA, ICE LIBOR USD 3 Month + 0.3200%, 2.6781%, 5/1/20 [†]	9,922,000	9,929,104
Citigroup Inc, 4.6000%, 3/9/26	1,315,000	1,312,689
Citigroup Inc, 3.2000%, 10/21/26	1,976,000	1,838,584
Citizens Bank NA/Providence RI, 2.6500%, 5/26/22	1,267,000	1,224,861
Citizens Financial Group Inc, 3.7500%, 7/1/24	860,000	829,942
Citizens Financial Group Inc, 4.3500%, 8/1/25	613,000	606,125
Citizens Financial Group Inc, 4.3000%, 12/3/25	3,423,000	3,399,924
First Republic Bank/CA, 4.6250%, 2/13/47	1,653,000	1,630,583
Goldman Sachs Capital I, 6.3450%, 2/15/34	3,650,000	4,161,325
HSBC Holdings PLC, ICE LIBOR USD 3 Month + 0.6000%, 2.9256%, 5/18/21 [†]	5,575,000	5,583,123
JPMorgan Chase & Co, 2.2950%, 8/15/21	3,646,000	3,522,152
JPMorgan Chase & Co, 4.1250%, 12/15/26	2,316,000	2,285,937
JPMorgan Chase Bank NA, ICE LIBOR USD 3 Month + 0.3400%, 2.7017%, 4/26/21 [†]	6,660,000	6,661,605
JPMorgan Chase Bank NA, ICE LIBOR USD 3 Month + 0.3500%, 3.0860%, 4/26/21 [†]	6,110,000	6,095,455
Morgan Stanley, 3.9500%, 4/23/27	2,009,000	1,914,459
Royal Bank of Canada, ICE LIBOR USD 3 Month + 0.3900%, 2.7488%, 4/30/21 [†]	6,870,000	6,867,677
SVB Financial Group, 5.3750%, 9/15/20	2,640,000	2,751,950
		73,594,616
Basic Industry – 0.8%		
Anglo American Capital PLC, 4.1250%, 9/27/22 (144A)	580,000	582,996
CF Industries Inc, 4.5000%, 12/1/26 (144A)	2,673,000	2,653,130
CF Industries Inc, 5.3750%, 3/15/44	2,531,000	2,233,608
Freeport-McMoRan Inc, 3.1000%, 3/15/20	869,000	851,620
Freeport-McMoRan Inc, 3.5500%, 3/1/22	3,612,000	3,431,400
Freeport-McMoRan Inc, 4.5500%, 11/14/24	1,428,000	1,356,600
Freeport-McMoRan Inc, 5.4500%, 3/15/43	1,435,000	1,258,782
Georgia-Pacific LLC, 3.1630%, 11/15/21 (144A)	4,380,000	4,351,694
Georgia-Pacific LLC, 3.6000%, 3/1/25 (144A)	2,291,000	2,279,983
Reliance Steel & Aluminum Co, 4.5000%, 4/15/23	2,242,000	2,291,830
Sherwin-Williams Co, 2.7500%, 6/1/22	897,000	868,168
Steel Dynamics Inc, 4.1250%, 9/15/25	2,303,000	2,208,001
Steel Dynamics Inc, 5.0000%, 12/15/26	1,069,000	1,069,000
Teck Resources Ltd, 4.5000%, 1/15/21	985,000	985,000
Teck Resources Ltd, 4.7500%, 1/15/22	1,419,000	1,421,966
Teck Resources Ltd, 8.5000%, 6/1/24 (144A)	2,256,000	2,473,140
		30,316,918
Brokerage – 0.7%		
Cboe Global Markets Inc, 3.6500%, 1/12/27	2,983,000	2,877,435
Charles Schwab Corp, ICE LIBOR USD 3 Month + 0.3200%, 2.6494%, 5/21/21 [†]	3,535,000	3,549,348
Charles Schwab Corp, 3.2500%, 5/21/21	1,096,000	1,100,299
Charles Schwab Corp, 3.0000%, 3/10/25	958,000	920,828
E*TRADE Financial Corp, 2.9500%, 8/24/22	2,980,000	2,885,810
E*TRADE Financial Corp, 3.8000%, 8/24/27	3,547,000	3,394,144
E*TRADE Financial Corp, 4.5000%, 6/20/28	1,361,000	1,361,499
Raymond James Financial Inc, 5.6250%, 4/1/24	1,553,000	1,666,600
Raymond James Financial Inc, 3.6250%, 9/15/26	1,535,000	1,473,566
Raymond James Financial Inc, 4.9500%, 7/15/46	2,715,000	2,758,836
TD Ameritrade Holding Corp, 3.6250%, 4/1/25	1,772,000	1,752,824
		23,741,189
Capital Goods – 0.9%		
Arconic Inc, 5.8700%, 2/23/22	482,000	502,967
Arconic Inc, 5.1250%, 10/1/24	3,611,000	3,586,337
Ball Corp, 4.3750%, 12/15/20	1,564,000	1,575,730
General Dynamics Corp, ICE LIBOR USD 3 Month + 0.2900%, 2.6458%, 5/11/20 [†]	916,000	918,259

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, 2018

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Capital Goods – (continued)		
General Dynamics Corp, ICE LIBOR USD 3 Month + 0.3800%, 2.7358%, 5/11/21 [†]	\$916,000	\$919,190
HD Supply Inc, 5.7500%, 4/15/24 (144A) [©]	5,814,000	6,082,897
Huntington Ingalls Industries Inc, 5.0000%, 11/15/25 (144A)	5,403,000	5,588,269
Martin Marietta Materials Inc, 4.2500%, 7/2/24	1,507,000	1,520,067
Masonite International Corp, 5.6250%, 3/15/23 (144A)	1,011,000	1,033,444
Northrop Grumman Corp, 2.5500%, 10/15/22	3,415,000	3,288,392
Owens Corning, 4.2000%, 12/1/24	1,402,000	1,382,585
Owens Corning, 3.4000%, 8/15/26	676,000	616,163
Rockwell Collins Inc, 3.2000%, 3/15/24	1,346,000	1,296,193
Vulcan Materials Co, 4.5000%, 4/1/25	2,871,000	2,884,366
		31,194,859
Communications – 1.3%		
American Tower Corp, 3.3000%, 2/15/21	2,409,000	2,406,225
American Tower Corp, 4.4000%, 2/15/26	1,578,000	1,566,194
AT&T Inc, 4.2500%, 3/1/27	2,844,000	2,783,690
AT&T Inc, 4.1000%, 2/15/28 (144A)	3,395,000	3,242,896
AT&T Inc, 5.2500%, 3/1/37	865,000	852,179
AT&T Inc, 5.1500%, 11/15/46 (144A)	2,001,000	1,883,710
BellSouth LLC, 4.3330%, 4/26/19 (144A)	6,806,000	6,877,007
CCO Holdings LLC / CCO Holdings Capital Corp, 5.2500%, 3/15/21	2,235,000	2,250,366
Charter Communications Operating LLC / Charter Communications Operating Capital, 4.9080%, 7/23/25	3,600,000	3,634,536
Crown Castle International Corp, 5.2500%, 1/15/23	1,967,000	2,060,459
Crown Castle International Corp, 3.2000%, 9/1/24	1,991,000	1,878,249
Crown Castle Towers LLC, 3.7200%, 7/15/23 (144A)	1,711,000	1,711,000
Crown Castle Towers LLC, 4.2410%, 7/15/28 (144A)	2,936,000	2,938,595
UBM PLC, 5.7500%, 11/3/20 (144A)	3,003,000	3,062,194
Unitymedia GmbH, 6.1250%, 1/15/25 (144A)	2,953,000	3,041,590
Unitymedia Hessen GmbH & Co KG / Unitymedia NRW GmbH, 5.0000%, 1/15/25 (144A)	3,147,000	3,186,337
Verizon Communications Inc, 2.6250%, 8/15/26	3,062,000	2,716,673
Verizon Communications Inc, 4.8620%, 8/21/46	1,185,000	1,131,477
Warner Media LLC, 3.6000%, 7/15/25	1,905,000	1,810,752
		49,034,129
Consumer Cyclical – 0.9%		
1011778 BC ULC / New Red Finance Inc, 4.6250%, 1/15/22 (144A)	2,204,000	2,204,000
Amazon.com Inc, 2.8000%, 8/22/24	1,469,000	1,400,544
DR Horton Inc, 3.7500%, 3/1/19	2,043,000	2,049,387
General Motors Financial Co Inc, 3.2000%, 7/13/20	3,630,000	3,612,978
General Motors Financial Co Inc, 3.5500%, 4/9/21	2,680,000	2,671,710
IHO Verwaltungs GmbH, 4.1250%, 9/15/21 (144A)	515,000	507,275
IHO Verwaltungs GmbH, 4.5000%, 9/15/23 (144A)	376,000	360,020
IHS Markit Ltd, 5.0000%, 11/1/22 (144A)	1,475,000	1,487,906
IHS Markit Ltd, 4.7500%, 2/15/25 (144A)	2,588,000	2,562,120
MDC Holdings Inc, 5.5000%, 1/15/24	2,249,000	2,271,490
MGM Growth Properties Operating Partnership LP / MGP Finance Co-Issuer Inc, 5.6250%, 5/1/24	1,317,000	1,333,463
MGM Resorts International, 6.7500%, 10/1/20	3,750,000	3,928,125
MGM Resorts International, 6.6250%, 12/15/21	1,515,000	1,594,538
MGM Resorts International, 7.7500%, 5/15/22	544,000	592,960
MGM Resorts International, 6.0000%, 3/15/23	272,000	280,160
Toll Brothers Finance Corp, 4.0000%, 12/31/18	832,000	831,896
Toll Brothers Finance Corp, 5.8750%, 2/15/22	763,000	791,613
Toll Brothers Finance Corp, 4.3750%, 4/15/23	428,000	419,440
Wyndham Destinations Inc, 4.1500%, 4/1/24	1,689,000	1,661,554
Wyndham Destinations Inc, 5.1000%, 10/1/25	870,000	890,663
Wyndham Destinations Inc, 4.5000%, 4/1/27	971,000	946,725
		32,398,567

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, 2018

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Consumer Non-Cyclical – 0.8%		
Allergan Funding SCS, 3.0000%, 3/12/20	\$1,887,000	\$1,877,557
Becton Dickinson and Co, 2.8940%, 6/6/22	1,499,000	1,449,474
CVS Health Corp, 4.7500%, 12/1/22	1,192,000	1,236,152
CVS Health Corp, 4.1000%, 3/25/25	4,076,000	4,053,665
CVS Health Corp, 4.3000%, 3/25/28	5,657,000	5,577,913
CVS Health Corp, 5.0500%, 3/25/48	1,998,000	2,017,973
HCA Inc, 3.7500%, 3/15/19	1,542,000	1,547,783
HCA Inc, 5.0000%, 3/15/24	1,869,000	1,869,000
HCA Inc, 5.2500%, 6/15/26	1,720,000	1,708,304
Sysco Corp, 2.5000%, 7/15/21	629,000	614,169
Teva Pharmaceutical Finance Co BV, 2.9500%, 12/18/22	309,000	281,151
Teva Pharmaceutical Finance Netherlands III BV, 2.8000%, 7/21/23	1,794,000	1,549,022
Teva Pharmaceutical Finance Netherlands III BV, 6.0000%, 4/15/24	2,670,000	2,666,332
Wm Wrigley Jr Co, 2.4000%, 10/21/18 (144A)	3,916,000	3,913,250
		30,361,745
Electric – 0.2%		
Duke Energy Corp, 1.8000%, 9/1/21	930,000	889,731
Duke Energy Corp, 2.4000%, 8/15/22	1,306,000	1,255,710
NextEra Energy Operating Partners LP, 4.2500%, 9/15/24 (144A)	437,000	420,613
PPL WEM Ltd / Western Power Distribution Ltd, 5.3750%, 5/1/21 (144A)	2,553,000	2,655,511
Southern Co, 2.9500%, 7/1/23	1,972,000	1,901,537
		7,123,102
Energy – 1.4%		
Andeavor Logistics LP / Tesoro Logistics Finance Corp, 3.5000%, 12/1/22	769,000	751,139
Andeavor Logistics LP / Tesoro Logistics Finance Corp, 5.2500%, 1/15/25	807,000	827,078
Cheniere Corpus Christi Holdings LLC, 5.1250%, 6/30/27	2,940,000	2,914,275
Columbia Pipeline Group Inc, 4.5000%, 6/1/25	1,097,000	1,097,901
Continental Resources Inc/OK, 5.0000%, 9/15/22	5,549,000	5,632,568
Continental Resources Inc/OK, 4.5000%, 4/15/23	3,628,000	3,684,062
Enbridge Energy Partners LP, 5.8750%, 10/15/25	1,476,000	1,605,843
Energy Transfer Equity LP, 4.2500%, 3/15/23	1,660,000	1,601,917
Energy Transfer Equity LP, 5.8750%, 1/15/24	1,589,000	1,628,725
Energy Transfer Equity LP, 5.5000%, 6/1/27	1,185,000	1,185,000
Energy Transfer Partners LP, 4.1500%, 10/1/20	1,410,000	1,427,075
Energy Transfer Partners LP, 4.9500%, 6/15/28	1,736,000	1,729,933
Energy Transfer Partners LP, 6.0000%, 6/15/48	1,965,000	1,958,731
Energy Transfer Partners LP / Regency Energy Finance Corp, 5.7500%, 9/1/20	994,000	1,033,064
EnLink Midstream Partners LP, 4.1500%, 6/1/25	1,008,000	931,331
EnLink Midstream Partners LP, 4.8500%, 7/15/26	2,900,000	2,747,023
EQT Midstream Partners LP, 5.5000%, 7/15/28	2,876,000	2,874,406
Kinder Morgan Energy Partners LP, 3.5000%, 3/1/21	623,000	621,864
Kinder Morgan Energy Partners LP, 5.0000%, 10/1/21	1,292,000	1,341,587
Kinder Morgan Energy Partners LP, 3.9500%, 9/1/22	1,381,000	1,380,414
Kinder Morgan Inc/DE, 6.5000%, 9/15/20	133,000	141,372
Motiva Enterprises LLC, 5.7500%, 1/15/20 (144A)	565,000	582,696
NGPL PipeCo LLC, 4.3750%, 8/15/22 (144A)	381,000	377,190
NGPL PipeCo LLC, 4.8750%, 8/15/27 (144A)	972,000	959,850
NuStar Logistics LP, 5.6250%, 4/28/27	2,359,000	2,282,332
Phillips 66 Partners LP, 3.6050%, 2/15/25	1,533,000	1,461,392
Phillips 66 Partners LP, 3.7500%, 3/1/28	664,000	620,323
Plains All American Pipeline LP / PAA Finance Corp, 4.6500%, 10/15/25	724,000	721,266
Regency Energy Partners LP / Regency Energy Finance Corp, 5.8750%, 3/1/22	1,786,000	1,888,874
Sabine Pass Liquefaction LLC, 5.0000%, 3/15/27	2,734,000	2,777,324
Williams Cos Inc, 3.7000%, 1/15/23	859,000	831,083
Williams Partners LP, 3.6000%, 3/15/22	1,124,000	1,118,211
		50,735,849
Financial Institutions – 0.2%		
Jones Lang LaSalle Inc, 4.4000%, 11/15/22	2,938,000	3,003,573

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, 2018

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Financial Institutions – (continued)		
Kennedy-Wilson Inc, 5.8750%, 4/1/24	\$4,512,000	\$4,376,640
		7,380,213
Insurance – 0.3%		
Aetna Inc, 2.8000%, 6/15/23	1,262,000	1,203,092
Centene Corp, 4.7500%, 5/15/22	180,000	181,125
Centene Corp, 6.1250%, 2/15/24	2,096,000	2,208,660
Centene Corp, 4.7500%, 1/15/25	2,030,000	2,019,850
Centene Escrow I Corp, 5.3750%, 6/1/26 (144A)	1,749,000	1,771,964
UnitedHealth Group Inc, 2.3750%, 10/15/22	1,219,000	1,171,712
WellCare Health Plans Inc, 5.2500%, 4/1/25	2,174,000	2,163,130
		10,719,533
Natural Gas – 0.1%		
Sempra Energy, ICE LIBOR USD 3 Month + 0.5000%, 2.8477%, 1/15/21 [†]	2,469,000	2,470,242
Owned No Guarantee – 0.1%		
Syngenta Finance NV, 3.6980%, 4/24/20 (144A)	1,306,000	1,301,211
Syngenta Finance NV, 3.9330%, 4/23/21 (144A)	1,247,000	1,243,748
Syngenta Finance NV, 4.4410%, 4/24/23 (144A)	266,000	264,424
Syngenta Finance NV, 4.8920%, 4/24/25 (144A)	555,000	544,009
		3,353,392
Real Estate Investment Trusts (REITs) – 0.4%		
Alexandria Real Estate Equities Inc, 2.7500%, 1/15/20	1,345,000	1,333,973
Alexandria Real Estate Equities Inc, 4.6000%, 4/1/22	3,664,000	3,780,534
Alexandria Real Estate Equities Inc, 4.5000%, 7/30/29	1,154,000	1,149,335
Reckson Operating Partnership LP, 7.7500%, 3/15/20	3,885,000	4,150,461
Senior Housing Properties Trust, 6.7500%, 4/15/20	825,000	854,754
Senior Housing Properties Trust, 6.7500%, 12/15/21	916,000	981,111
SL Green Realty Corp, 5.0000%, 8/15/18	1,987,000	1,989,958
		14,240,126
Technology – 1.1%		
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.6250%, 1/15/24	737,000	713,151
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.1250%, 1/15/25	1,363,000	1,264,174
Cadence Design Systems Inc, 4.3750%, 10/15/24	3,210,000	3,249,968
First Data Corp, 7.0000%, 12/1/23 (144A)	2,960,000	3,083,077
Marvell Technology Group Ltd, 4.2000%, 6/22/23	1,361,000	1,359,169
Marvell Technology Group Ltd, 4.8750%, 6/22/28	1,541,000	1,529,206
Microchip Technology Inc, 3.9220%, 6/1/21 (144A)	1,476,000	1,478,340
Total System Services Inc, 3.8000%, 4/1/21	1,546,000	1,556,461
Total System Services Inc, 4.8000%, 4/1/26	3,189,000	3,268,120
Trimble Inc, 4.1500%, 6/15/23	979,000	980,183
Trimble Inc, 4.7500%, 12/1/24	5,231,000	5,339,754
Trimble Inc, 4.9000%, 6/15/28	7,351,000	7,335,064
Verisk Analytics Inc, 4.8750%, 1/15/19	1,718,000	1,733,491
Verisk Analytics Inc, 5.8000%, 5/1/21	2,947,000	3,119,730
Verisk Analytics Inc, 4.1250%, 9/12/22	1,671,000	1,701,302
Verisk Analytics Inc, 5.5000%, 6/15/45	1,948,000	2,006,420
		39,717,610
Total Corporate Bonds (cost \$412,286,090)		406,382,090
Mortgage-Backed Securities – 8.6%		
Fannie Mae Pool:		
6.0000%, 2/1/37	114,501	128,916
3.5000%, 10/1/42	1,436,843	1,440,604
4.5000%, 11/1/42	465,790	490,013
3.5000%, 12/1/42	3,380,839	3,378,228
3.0000%, 2/1/43	114,108	111,388
3.5000%, 2/1/43	3,354,519	3,351,924
3.5000%, 2/1/43	818,558	817,925
3.0000%, 5/1/43	422,720	412,617
3.5000%, 4/1/44	1,604,777	1,610,620

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, 2018

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
5.0000%, 7/1/44	\$109,667	\$118,713
4.5000%, 10/1/44	1,078,218	1,136,852
3.5000%, 2/1/45	3,325,893	3,323,318
4.5000%, 3/1/45	1,781,513	1,878,483
4.5000%, 6/1/45	1,055,591	1,106,394
3.0000%, 10/1/45	876,726	849,859
3.0000%, 10/1/45	565,037	547,722
3.5000%, 12/1/45	1,050,080	1,052,626
3.0000%, 1/1/46	117,076	113,587
4.5000%, 2/1/46	2,770,346	2,913,328
3.0000%, 3/1/46	3,768,280	3,654,909
3.0000%, 3/1/46	2,518,325	2,442,559
3.5000%, 7/1/46	1,906,693	1,904,633
3.5000%, 8/1/46	1,122,433	1,120,177
4.0000%, 10/1/46	129,795	132,861
3.0000%, 11/1/46	553,554	537,538
3.0000%, 11/1/46	515,731	500,805
4.5000%, 12/1/46	1,083,728	1,134,935
3.0000%, 2/1/47	4,798,286	4,688,706
4.0000%, 4/30/47	5,970,000	6,215,913
4.3888%, 4/30/47	3,874,000	3,854,602
4.0000%, 5/1/47	707,940	722,442
4.5000%, 5/1/47	348,727	367,260
4.5000%, 5/1/47	292,530	307,128
4.5000%, 5/1/47	287,452	301,488
4.5000%, 5/1/47	216,248	227,876
4.5000%, 5/1/47	200,330	210,112
4.5000%, 5/1/47	169,221	178,136
4.5000%, 5/1/47	98,723	103,650
4.5000%, 5/1/47	71,470	75,196
4.5000%, 5/1/47	64,993	68,382
3.5000%, 5/31/47	40,420,000	41,204,718
4.5000%, 5/31/47	14,368,000	15,190,583
4.5000%, 5/31/47	626,000	650,612
4.0000%, 6/1/47	367,442	375,853
4.0000%, 6/1/47	181,664	185,283
4.0000%, 6/1/47	174,604	178,600
4.0000%, 6/1/47	82,425	84,183
4.5000%, 6/1/47	1,288,690	1,351,616
4.5000%, 6/1/47	124,428	130,914
4.0000%, 7/1/47	314,600	321,831
4.0000%, 7/1/47	300,708	307,591
4.0000%, 7/1/47	136,560	139,686
4.0000%, 7/1/47	94,900	97,072
4.5000%, 7/1/47	920,541	965,491
4.5000%, 7/1/47	830,942	871,516
4.5000%, 7/1/47	799,311	838,342
3.5000%, 8/1/47	993,858	991,244
3.5000%, 8/1/47	627,763	626,064
4.0000%, 8/1/47	1,829,589	1,867,575
4.0000%, 8/1/47	571,101	584,173
4.0000%, 8/1/47	333,658	341,295
4.0000%, 8/1/47	150,001	153,123
4.5000%, 8/1/47	1,108,346	1,162,466
4.5000%, 8/1/47	215,744	226,310
3.5000%, 9/1/47	5,086,561	5,063,623
4.0000%, 9/1/47	173,596	177,586
4.5000%, 9/1/47	1,097,852	1,151,624
4.5000%, 9/1/47	731,994	767,848

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, 2018

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.5000%, 9/1/47	\$253,998	\$266,439
3.5000%, 10/1/47	4,248,092	4,236,260
4.0000%, 10/1/47	828,057	847,088
4.0000%, 10/1/47	703,970	720,150
4.0000%, 10/1/47	649,557	664,486
4.0000%, 10/1/47	459,225	469,780
4.0000%, 10/1/47	378,836	387,543
4.5000%, 10/1/47	173,067	181,544
4.5000%, 10/1/47	79,923	83,826
4.0000%, 11/1/47	2,021,483	2,064,310
4.0000%, 11/1/47	1,148,784	1,173,406
4.0000%, 11/1/47	943,124	964,799
4.0000%, 11/1/47	370,079	378,585
4.5000%, 11/1/47	857,850	899,868
3.5000%, 12/1/47	2,069,944	2,060,609
3.5000%, 12/1/47	1,731,413	1,729,182
3.5000%, 12/1/47	1,179,770	1,176,649
4.0000%, 12/1/47	2,266,843	2,315,430
3.5000%, 1/1/48	1,734,088	1,730,817
3.5000%, 1/1/48	1,288,846	1,287,953
4.0000%, 1/1/48	6,224,551	6,366,046
4.0000%, 1/1/48	4,408,227	4,511,164
4.0000%, 1/1/48	4,326,784	4,419,511
3.5000%, 3/1/48	759,858	759,331
4.0000%, 3/1/48	1,814,477	1,856,848
4.5000%, 3/1/48	1,467,329	1,543,632
4.5000%, 4/1/48	1,111,743	1,170,757
4.0000%, 5/1/48	4,674,757	4,768,348
4.0000%, 5/1/48	4,471,478	4,560,551
4.5000%, 5/1/48	902,791	954,204
4.5000%, 5/1/48	768,269	807,041
4.0000%, 6/1/48	10,920,410	11,140,098
4.0000%, 6/1/48	1,888,000	1,925,609
4.5000%, 6/1/48	855,484	902,092
3.5000%, 8/1/56	5,801,240	5,760,879
3.0000%, 2/1/57	4,181,987	4,016,282
		208,640,364
Freddie Mac Gold Pool:		
6.0000%, 4/1/40	2,015,723	2,266,295
3.5000%, 2/1/43	1,230,067	1,229,955
3.5000%, 2/1/44	1,287,583	1,287,466
4.5000%, 5/1/44	51,705	54,474
3.0000%, 1/1/45	1,184,938	1,152,816
4.0000%, 5/1/46	878,401	898,728
3.5000%, 7/1/46	3,669,846	3,675,208
3.5000%, 7/1/46	1,146,843	1,142,801
3.0000%, 10/1/46	4,360,745	4,227,761
3.0000%, 12/1/46	4,468,683	4,332,331
4.0000%, 8/1/47	2,780,434	2,838,103
3.5000%, 9/1/47	3,395,837	3,387,645
3.5000%, 9/1/47	2,805,932	2,792,712
3.5000%, 9/1/47	1,603,296	1,595,742
3.5000%, 9/1/47	1,046,250	1,041,321
3.5000%, 10/1/47	3,103,187	3,088,286
3.5000%, 11/1/47	1,385,213	1,380,340
3.5000%, 12/1/47	4,768,548	4,760,739
3.5000%, 12/1/47	1,042,681	1,041,378
3.5000%, 2/1/48	1,600,955	1,593,994
3.5000%, 2/1/48	1,572,683	1,567,637

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Janus Henderson VIT Balanced Portfolio

Schedule of Investments (unaudited)

June 30, 2018

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Freddie Mac Gold Pool – (continued)		
3.5000%, 3/1/48	\$6,668,460	\$6,644,100
3.5000%, 3/1/48	4,308,639	4,287,305
3.5000%, 3/1/48	1,033,882	1,028,753
4.0000%, 3/1/48	1,167,750	1,194,440
4.0000%, 4/1/48	6,316,202	6,440,044
4.0000%, 4/1/48	1,148,521	1,174,061
4.0000%, 5/1/48	4,908,577	5,007,742
4.0000%, 5/1/48	3,071,631	3,131,507
4.0000%, 6/1/48	6,969,164	7,109,961
4.0000%, 6/1/48	1,334,000	1,361,002
		82,734,647
Ginnie Mae I Pool:		
4.0000%, 1/15/45	3,990,326	4,118,623
4.5000%, 8/15/46	4,644,546	4,940,918
4.0000%, 7/15/47	2,481,647	2,544,651
4.0000%, 8/15/47	517,902	531,051
4.0000%, 11/15/47	1,050,426	1,080,165
4.0000%, 12/15/47	1,331,278	1,369,025
		14,584,433
Ginnie Mae II Pool:		
4.5000%, 10/20/41	1,173,240	1,220,788
4.0000%, 8/20/47	400,001	412,683
4.0000%, 8/20/47	194,530	200,620
4.0000%, 8/20/47	96,663	99,728
3.0000%, 10/20/47	3,385,232	3,313,131
4.5000%, 5/20/48	2,457,495	2,594,198
4.5000%, 5/20/48	587,448	620,126
		8,461,274
Total Mortgage-Backed Securities (cost \$318,210,803)		314,420,718
United States Treasury Notes/Bonds – 10.7%		
2.2500%, 2/29/20	6,901,000	6,872,426
2.2500%, 3/31/20	34,752,000	34,593,173
2.3750%, 4/30/20	76,180,000	75,978,057
2.5000%, 5/31/20	63,577,000	63,544,715
2.7500%, 5/31/23	9,686,000	9,694,702
2.2500%, 11/15/27	13,825,000	13,136,990
2.7500%, 2/15/28	5,874,000	5,821,455
2.8750%, 5/15/28	33,920,000	33,973,000
2.2500%, 8/15/46	8,075,000	6,947,023
2.7500%, 8/15/47	1,055,000	1,005,671
2.7500%, 11/15/47	46,189,000	44,025,695
3.0000%, 2/15/48	24,648,000	24,705,769
3.1250%, 5/15/48	66,804,000	68,596,748
Total United States Treasury Notes/Bonds (cost \$385,742,037)		388,895,424
Common Stocks – 61.7%		
Aerospace & Defense – 3.3%		
Boeing Co	228,559	76,683,830
General Dynamics Corp	195,153	36,378,471
Northrop Grumman Corp	16,105	4,955,508
		118,017,809
Air Freight & Logistics – 0.5%		
United Parcel Service Inc	184,247	19,572,559
Airlines – 0.3%		
Delta Air Lines Inc	237,098	11,745,835
Automobiles – 0.9%		
General Motors Co	837,254	32,987,808
Banks – 2.6%		
Bank of America Corp	866,788	24,434,754

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	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Banks – (continued)		
US Bancorp	1,399,185	\$69,987,234
		94,421,988
Biotechnology – 0.2%		
AbbVie Inc	82,597	7,652,612
Capital Markets – 3.6%		
Blackstone Group LP	651,457	20,957,372
CME Group Inc	344,240	56,427,821
Goldman Sachs Group Inc	34,821	7,680,468
Morgan Stanley	222,529	10,547,875
TD Ameritrade Holding Corp	664,600	36,400,142
		132,013,678
Chemicals – 1.8%		
LyondellBasell Industries NV	594,201	65,272,980
Consumer Finance – 1.6%		
American Express Co	203,973	19,989,354
Synchrony Financial	1,088,350	36,329,123
		56,318,477
Electronic Equipment, Instruments & Components – 0.4%		
Corning Inc	454,445	12,501,782
Equity Real Estate Investment Trusts (REITs) – 1.0%		
Crown Castle International Corp	158,752	17,116,641
MGM Growth Properties LLC	341,085	10,389,449
Outfront Media Inc	475,341	9,245,382
		36,751,472
Food & Staples Retailing – 3.3%		
Costco Wholesale Corp	273,368	57,128,445
Kroger Co	779,984	22,190,545
Sysco Corp	568,424	38,817,675
		118,136,665
Food Products – 0.5%		
Hershey Co	198,798	18,500,142
Health Care Equipment & Supplies – 2.3%		
Abbott Laboratories	577,676	35,232,459
Medtronic PLC	545,842	46,729,534
		81,961,993
Health Care Providers & Services – 0.8%		
Aetna Inc	157,673	28,932,995
Hotels, Restaurants & Leisure – 2.5%		
Hilton Worldwide Holdings Inc	93,109	7,370,508
McDonald's Corp	312,337	48,940,085
Norwegian Cruise Line Holdings Ltd*	234,555	11,082,724
Six Flags Entertainment Corp	206,372	14,456,359
Starbucks Corp	185,143	9,044,236
		90,893,912
Household Products – 0.3%		
Clorox Co	92,385	12,495,071
Industrial Conglomerates – 1.4%		
3M Co	88,895	17,487,424
Honeywell International Inc	236,149	34,017,263
		51,504,687
Information Technology Services – 4.2%		
Accenture PLC	277,079	45,327,354
Automatic Data Processing Inc	76,150	10,214,761
Mastercard Inc	495,475	97,370,747
		152,912,862
Insurance – 0.5%		
Progressive Corp	333,444	19,723,213

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, 2018

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Common Stocks – (continued)		
Internet & Direct Marketing Retail – 0.7%		
Booking Holdings Inc*	12,891	\$26,131,217
Internet Software & Services – 2.3%		
Alphabet Inc*	75,412	84,133,398
Leisure Products – 0.5%		
Hasbro Inc	197,564	18,237,133
Machinery – 1.2%		
Deere & Co	129,551	18,111,230
Parker-Hannifin Corp	71,584	11,156,366
Stanley Black & Decker Inc	118,458	15,732,407
		45,000,003
Media – 1.5%		
Comcast Corp	1,330,037	43,638,514
Madison Square Garden Co*	33,143	10,280,627
		53,919,141
Oil, Gas & Consumable Fuels – 2.2%		
Anadarko Petroleum Corp	495,829	36,319,474
Suncor Energy Inc	585,985	23,837,870
Suncor Energy Inc ^o	482,283	19,628,863
		79,786,207
Personal Products – 0.7%		
Estee Lauder Cos Inc	169,499	24,185,812
Pharmaceuticals – 3.7%		
Allergan PLC	246,766	41,140,828
Bristol-Myers Squibb Co	267,201	14,786,903
Eli Lilly & Co	369,282	31,510,833
Merck & Co Inc	762,976	46,312,643
		133,751,207
Real Estate Investment Trusts (REITs) – 0%		
Colony America Homes III ^{*,c,\$}	639,963	47,357
Real Estate Management & Development – 0.9%		
CBRE Group Inc*	669,427	31,958,445
Road & Rail – 1.3%		
CSX Corp	756,682	48,261,178
Semiconductor & Semiconductor Equipment – 2.0%		
Intel Corp	949,650	47,207,101
Lam Research Corp	156,145	26,989,663
		74,196,764
Software – 6.0%		
Activision Blizzard Inc	152,587	11,645,440
Adobe Systems Inc*	274,648	66,961,929
Microsoft Corp	1,284,531	126,667,603
salesforce.com Inc*	98,898	13,489,687
		218,764,659
Specialty Retail – 1.8%		
Home Depot Inc	325,016	63,410,622
Technology Hardware, Storage & Peripherals – 1.9%		
Apple Inc	364,273	67,430,575
Textiles, Apparel & Luxury Goods – 1.2%		
NIKE Inc	530,259	42,251,037
Tobacco – 1.8%		
Altria Group Inc	1,178,668	66,936,556
Total Common Stocks (cost \$1,580,436,917)		2,240,719,851

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, 2018

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Investment Companies – 2.4%		
Money Markets – 2.4%		
Janus Henderson Cash Liquidity Fund LLC, 1.8501% [∞] (cost \$86,125,288)	86,125,288	\$86,125,288
Total Investments (total cost \$3,033,143,866) – 101.5%		3,686,008,656
Liabilities, net of Cash, Receivables and Other Assets – (1.5)%		(54,528,325)
Net Assets – 100%		\$3,631,480,331

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

<i>Country</i>	<i>Value</i>	<i>% of Investment Securities</i>
United States	\$3,535,760,058	95.9 %
Cayman Islands	65,039,071	1.8
Canada	58,380,584	1.6
United Kingdom	11,300,828	0.3
Germany	7,095,222	0.2
Israel	4,496,505	0.1
Switzerland	3,353,392	0.1
South Africa	582,996	0.0
Total	\$3,686,008,656	100.0 %

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, 2018

Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income ⁽¹⁾	Realized Gain/(Loss) ⁽¹⁾	Change in Unrealized Appreciation/ Depreciation ⁽¹⁾	Value at 6/30/18
Investment Companies - 2.4%				
Alternative Funds - N/A				
Janus Henderson Diversified Alternatives Fund - Class N Shares	\$ -	\$ 23,120	\$ -	-
Equity Funds - N/A				
Janus Henderson Adaptive Global Allocation Fund - Class N Shares	-	(2,092)	-	-
Janus Henderson Asia Equity Fund - Class N Shares	-	13,082	-	-
Janus Henderson Contrarian Fund - Class N Shares	-	4,070	-	-
Janus Henderson Emerging Markets Fund - Class N Shares	-	21,790	-	-
Janus Henderson Enterprise Fund - Class N Shares	-	4,083	-	-
Janus Henderson Forty Fund - Class N Shares	-	11,315	-	-
Janus Henderson Global Real Estate Fund - Class N Shares	-	22,950	-	-
Janus Henderson Global Select Fund - Class N Shares	-	46,390	-	-
Janus Henderson International Managed Volatility Fund - Class N Shares	-	45,704	-	-
Janus Henderson International Value Fund - Class N Shares	-	33,195	-	-
Janus Henderson Large Cap Value Fund - Class N Shares	-	(927)	-	-
Janus Henderson Mid Cap Value Fund - Class N Shares	-	(13,805)	-	-
Janus Henderson Overseas Fund - Class N Shares	-	-	-	-
Janus Henderson Small Cap Value Fund - Class N Shares	-	8,267	-	-
Janus Henderson Triton Fund - Class N Shares	-	51,891	-	-
Janus Henderson U.S. Managed Volatility Fund - Class N Shares	-	53,754	-	-
Janus Henderson VIT Global Research Portfolio - Institutional Shares	-	36,496	-	-
Total Equity Funds	\$ -	\$ 336,163	\$ -	-
Fixed Income Funds - N/A				
Janus Henderson Global Bond Fund - Class N Shares	103	21,215	-	-
Janus Henderson Short-Term Bond Fund - Class N Shares	21	(7,566)	-	-
Total Fixed Income Funds	\$ 124	\$ 13,649	\$ -	-
Money Markets - 2.4%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% [∞]	1,065,675	-	-	86,125,288
Total Affiliated Investments - 2.4%	\$ 1,065,799	\$ 372,932	\$ -	\$ 86,125,288

(1) For securities that were affiliated for a portion of the period ended June 30, 2018, this column reflects amounts for the entire period ended June 30, 2018 and not just the period in which the security was affiliated.

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, 2018

	Share Balance at 12/31/17	Purchases	Sales	Share Balance at 6/30/18
Investment Companies - 2.4%				
Alternative Funds - N/A				
Janus Henderson Diversified Alternatives Fund - Class N Shares	-	89,835	(89,835)	-
Equity Funds - N/A				
Janus Henderson Adaptive Global Allocation Fund - Class N Shares	-	41,832	(41,832)	-
Janus Henderson Asia Equity Fund - Class N Shares	-	7,551	(7,551)	-
Janus Henderson Contrarian Fund - Class N Shares	-	8,892	(8,892)	-
Janus Henderson Emerging Markets Fund - Class N Shares	-	24,660	(24,660)	-
Janus Henderson Enterprise Fund - Class N Shares	-	1,975	(1,975)	-
Janus Henderson Forty Fund - Class N Shares	-	3,294	(3,294)	-
Janus Henderson Global Real Estate Fund - Class N Shares	-	20,406	(20,406)	-
Janus Henderson Global Select Fund - Class N Shares	-	17,719	(17,719)	-
Janus Henderson International Managed Volatility Fund - Class N Shares	-	38,859	(38,859)	-
Janus Henderson International Value Fund - Class N Shares	-	33,315	(33,315)	-
Janus Henderson Large Cap Value Fund - Class N Shares	-	25,173	(25,173)	-
Janus Henderson Mid Cap Value Fund - Class N Shares	-	8,229	(8,229)	-
Janus Henderson Overseas Fund - Class N Shares	-	20,521	(20,521)	-
Janus Henderson Small Cap Value Fund - Class N Shares	-	9,868	(9,868)	-
Janus Henderson Triton Fund - Class N Shares	-	7,282	(7,282)	-
Janus Henderson U.S. Managed Volatility Fund - Class N Shares	-	26,798	(26,798)	-
Janus Henderson VIT Global Research Portfolio - Institutional Shares	-	5,584	(5,584)	-
Fixed Income Funds - N/A				
Janus Henderson Global Bond Fund - Class N Shares	-	221,693	(221,693)	-
Janus Henderson Short-Term Bond Fund - Class N Shares	-	123,531	(123,531)	-
Money Markets - 2.4%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ⁰⁰	99,929,079	771,952,210	(785,756,001)	86,125,288

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.
S&P 500 [®] Index	S&P 500 [®] Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
ICE	Intercontinental Exchange
LIBOR	London Interbank Offered Rate
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, 2018 is \$230,448,257, which represents 6.3% of net assets.

* Non-income producing security.

(a) All or a portion of this position is not funded, or has been purchased on a delayed delivery or when-issued basis. If applicable, interest rates will be determined and interest will begin to accrue at a future date. See Notes to Financial Statements.

‡ Variable or floating rate security. Rate shown is the current rate as of June 30, 2018. Certain variable rate securities are not based on a published reference rate and spread; they are determined by the issuer or agent and current market conditions. Reference rate is as of reset date and may vary by security, which may not indicate a reference rate and/or spread in their description.

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

°° Rate shown is the 7-day yield as of June 30, 2018.

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

¢ Security is valued using significant unobservable inputs.

£ 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.

Janus Henderson VIT Balanced Portfolio

Notes to Schedule of Investments and Other Information (unaudited)

§ Schedule of Restricted and Illiquid Securities (as of June 30, 2018)

	<i>Acquisition Date</i>	<i>Cost</i>	<i>Value</i>	<i>Value as a % of Net Assets</i>
Colony America Homes III	1/30/13	\$ 50,678	\$ 47,357	0.0%
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 0.8000%, 2.8911%, 11/25/50	11/29/17	3,920,517	3,907,502	0.1
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 1.0000%, 3.0911%, 11/25/50	11/29/17	772,000	770,081	0.0
Moffett Towers Phase II, ICE LIBOR USD 1 Month + 2.8000%, 4.8740%, 6/15/21	6/25/18	3,765,699	3,765,622	0.1
Station Place Securitization Trust 2017-3, ICE LIBOR USD 1 Month + 1.0000%, 2.9613%, 7/24/18	8/11/17	3,142,000	3,142,088	0.1
Total		\$ 11,650,894	\$ 11,632,650	0.3%

The Portfolio has registration rights for certain restricted securities held as of June 30, 2018. 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, 2018. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	<i>Level 1 - Quotes Prices</i>	<i>Level 2 - Other Significant Observable Inputs</i>	<i>Level 3 - Significant Unobservable Inputs</i>
Assets			
Investments in Securities:			
<i>Asset-Backed/Commercial Mortgage-Backed Securities</i>	\$ -	\$ 183,912,775	\$ -
<i>Bank Loans and Mezzanine Loans</i>	-	65,552,510	-
<i>Corporate Bonds</i>	-	406,382,090	-
<i>Mortgage-Backed Securities</i>	-	314,420,718	-
<i>United States Treasury Notes/Bonds</i>	-	388,895,424	-
<i>Common Stocks</i>			
<i>Oil, Gas & Consumable Fuels</i>	60,157,344	19,628,863	-
<i>Real Estate Investment Trusts (REITs)</i>	-	-	47,357
<i>All Other</i>	2,160,886,287	-	-
<i>Investment Companies</i>	-	86,125,288	-
Total Assets	\$ 2,221,043,631	\$ 1,464,917,668	\$ 47,357

Janus Henderson VIT Balanced Portfolio

Statement of Assets and Liabilities (unaudited)

June 30, 2018

Assets:		
Unaffiliated investments, at value ⁽¹⁾	\$	3,599,883,368
Affiliated investments, at value ⁽²⁾		86,125,288
Cash		323,330
Non-interested Trustees' deferred compensation		75,904
Receivables:		
Investments sold		41,138,965
Interest		7,825,967
Portfolio shares sold		6,281,655
Dividends		1,858,429
Dividends from affiliates		159,318
Other assets		23,904
Total Assets		3,743,696,128
Liabilities:		
Payables:		
Investments purchased		108,914,834
Advisory fees		1,698,039
12b-1 Distribution and shareholder servicing fees		679,217
Portfolio shares repurchased		516,221
Transfer agent fees and expenses		162,963
Non-interested Trustees' deferred compensation fees		75,904
Non-affiliated portfolio administration fees payable		55,342
Non-interested Trustees' fees and expenses		29,366
Professional fees		14,201
Affiliated portfolio administration fees payable		7,718
Custodian fees		1,928
Accrued expenses and other payables		60,064
Total Liabilities		112,215,797
Net Assets	\$	3,631,480,331
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	2,926,206,707
Undistributed net investment income/(loss)		3,859,204
Undistributed net realized gain/(loss) from investments and foreign currency transactions		48,545,512
Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation		652,868,908
Total Net Assets	\$	3,631,480,331
Net Assets - Institutional Shares	\$	431,160,853
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		12,387,908
Net Asset Value Per Share	\$	34.80
Net Assets - Service Shares	\$	3,200,319,478
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		87,194,352
Net Asset Value Per Share	\$	36.70

(1) Includes cost of \$2,947,018,578.

(2) Includes cost of \$86,125,288.

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio

Statement of Operations (unaudited)

For the period ended June 30, 2018

Investment Income:		
Dividends	\$	19,745,791
Interest		19,644,609
Dividends from affiliates		1,065,799
Other income		43,616
Foreign tax withheld		(88,446)
Total Investment Income		40,411,369
Expenses:		
Advisory fees		9,437,868
12b-1 Distribution and shareholder servicing fees:		
Service Shares		3,758,482
Transfer agent administrative fees and expenses:		
Institutional Shares		106,292
Service Shares		751,696
Other transfer agent fees and expenses:		
Institutional Shares		7,328
Service Shares		27,244
Affiliated portfolio administration fees		78,466
Shareholder reports expense		61,606
Non-interested Trustees' fees and expenses		57,160
Non-affiliated portfolio administration fees		53,498
Professional fees		38,410
Custodian fees		18,698
Registration fees		5,100
Other expenses		99,157
Total Expenses		14,501,005
Net Investment Income/(Loss)		25,910,364
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		57,390,486
Investments in affiliates		372,932
Total Net Realized Gain/(Loss) on Investments		57,763,418
Change in Unrealized Net Appreciation/Depreciation:		
Investments and non-interested Trustees' deferred compensation		17,477,555
Total Change in Unrealized Net Appreciation/Depreciation		17,477,555
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$	101,151,337

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio

Statements of Changes in Net Assets

	Period ended June 30, 2018 (unaudited)		Year ended December 31, 2017	
Operations:				
Net investment income/(loss)	\$	25,910,364	\$	50,744,654
Net realized gain/(loss) on investments		57,763,418		91,650,385
Change in unrealized net appreciation/depreciation		17,477,555		347,796,218
Net Increase/(Decrease) in Net Assets Resulting from Operations		101,151,337		490,191,257
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(6,377,353)		(6,674,911)
Service Shares		(38,082,204)		(36,152,398)
Total Dividends from Net Investment Income		(44,459,557)		(42,827,309)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(11,662,205)		(844,615)
Service Shares		(79,797,657)		(4,921,407)
Total Distributions from Net Realized Gain from Investment Transactions		(91,459,862)		(5,766,022)
Net Decrease from Dividends and Distributions to Shareholders		(135,919,419)		(48,593,331)
Capital Share Transactions: (Note 5)				
Institutional Shares		6,563,076		(37,543,596)
Service Shares		342,669,799		281,250,189
Net Increase/(Decrease) from Capital Share Transactions		349,232,875		243,706,593
Net Increase/(Decrease) in Net Assets		314,464,793		685,304,519
Net Assets:				
Beginning of period		3,317,015,538		2,631,711,019
End of period	\$	3,631,480,331	\$	3,317,015,538
Undistributed Net Investment Income/(Loss)	\$	3,859,204	\$	22,408,397

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio

Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$35.27	\$30.32	\$30.08	\$31.43	\$30.26	\$27.17
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.30 ⁽¹⁾	0.64 ⁽¹⁾	0.58 ⁽¹⁾	0.63 ⁽¹⁾	0.62 ⁽¹⁾	0.56
Net realized and unrealized gain/(loss)	0.76	4.92	0.77	(0.41)	1.92	4.67
Total from Investment Operations	1.06	5.56	1.35	0.22	2.54	5.23
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.54)	(0.54)	(0.67)	(0.50)	(0.55)	(0.45)
Distributions (from capital gains)	(0.99)	(0.07)	(0.44)	(1.07)	(0.82)	(1.69)
Total Dividends and Distributions	(1.53)	(0.61)	(1.11)	(1.57)	(1.37)	(2.14)
Net Asset Value, End of Period	\$34.80	\$35.27	\$30.32	\$30.08	\$31.43	\$30.26
Total Return*	3.13%	18.43%	4.60%	0.62%	8.54%	20.11%
Net Assets, End of Period (in thousands)	\$431,161	\$429,403	\$403,833	\$444,472	\$475,807	\$475,100
Average Net Assets for the Period (in thousands)	\$428,690	\$417,575	\$413,338	\$467,346	\$472,445	\$455,356
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.63%	0.63%	0.62%	0.58%	0.58%	0.58%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.63%	0.63%	0.62%	0.58%	0.58%	0.58%
Ratio of Net Investment Income/(Loss)	1.72%	1.94%	1.94%	2.03%	2.01%	1.87%
Portfolio Turnover Rate	50%	67% ⁽²⁾	80%	73%	87%	76%

Service Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$37.09	\$31.89	\$31.61	\$32.97	\$31.72	\$28.42
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.27 ⁽¹⁾	0.58 ⁽¹⁾	0.53 ⁽¹⁾	0.58 ⁽¹⁾	0.57 ⁽¹⁾	0.58
Net realized and unrealized gain/(loss)	0.80	5.17	0.80	(0.42)	2.00	4.82
Total from Investment Operations	1.07	5.75	1.33	0.16	2.57	5.40
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.47)	(0.48)	(0.61)	(0.45)	(0.50)	(0.41)
Distributions (from capital gains)	(0.99)	(0.07)	(0.44)	(1.07)	(0.82)	(1.69)
Total Dividends and Distributions	(1.46)	(0.55)	(1.05)	(1.52)	(1.32)	(2.10)
Net Asset Value, End of Period	\$36.70	\$37.09	\$31.89	\$31.61	\$32.97	\$31.72
Total Return*	2.98%	18.13%	4.32%	0.41%	8.24%	19.80%
Net Assets, End of Period (in thousands)	\$3,200,319	\$2,887,613	\$2,227,878	\$1,831,930	\$1,228,244	\$863,259
Average Net Assets for the Period (in thousands)	\$3,030,064	\$2,523,514	\$1,938,234	\$1,645,283	\$1,013,680	\$596,154
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.88%	0.88%	0.87%	0.84%	0.84%	0.84%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.88%	0.88%	0.87%	0.84%	0.84%	0.84%
Ratio of Net Investment Income/(Loss)	1.48%	1.69%	1.71%	1.79%	1.77%	1.62%
Portfolio Turnover Rate	50%	67% ⁽²⁾	80%	73%	87%	76%

* Total return not annualized for periods of less than one full year and does not include fees, charges, or expenses imposed by the variable annuity and life insurance contracts for which Janus Aspen Series serves as an underlying investment vehicle.

** 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) Portfolio Turnover Rate excludes TBA (to be announced) purchase and sales commitments.

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Janus Henderson VIT 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 11 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

Janus Henderson VIT Balanced Portfolio

Notes to Financial Statements (unaudited)

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, 2018 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.

The Portfolio did not hold a significant amount of Level 3 securities as of June 30, 2018.

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.

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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.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Currently, Management does not believe the bill will have a material impact on the Fund's intention to continue to qualify as a regulated investment company, which is generally not subject to U.S. federal income tax.

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

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Notes to Financial Statements (unaudited)

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, 2018.

- **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.

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- **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 non-U.S. government debt securities ("sovereign debt"). Some investments in sovereign debt, such as U.S. sovereign debt, are considered low risk. However, investments in sovereign debt, especially the debt of less developed countries, 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

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affected by various factors including, but not limited to, 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. In addition, to the extent the Portfolio invests in non-U.S. sovereign debt, it may be subject to currency risk.

TBA Commitments

The Portfolio may enter into "to be announced" or "TBA" commitments. TBAs are forward agreements for the purchase or sale of securities, including mortgage-backed securities, for a fixed price, with payment and delivery on an agreed upon future settlement date. The specific securities to be delivered are not identified at the trade date. However, delivered securities must meet specified terms, including issuer, rate, and mortgage terms. Although the particular TBA securities must meet industry-accepted "good delivery" standards, there can be no assurance that a security purchased on forward commitment basis will ultimately be issued or delivered by the counterparty. During the settlement period, the Portfolio will still bear the risk of any decline in the value of the security to be delivered. Because TBA commitments do not require the purchase and sale of identical securities, the characteristics of the security delivered to the Portfolio may be less favorable than the security delivered to the dealer. If the counterparty to a transaction fails to deliver the security, the Portfolio could suffer a loss.

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. 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

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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 serves as administrator to the Portfolio pursuant to an administration agreement between Janus Capital and the Trust. Under the administration agreement, Janus Capital provides oversight and coordination of the Portfolio's service providers, recordkeeping, and other administrative services, and is reimbursed by the Portfolio for certain of its costs in providing these 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 pays for some or all of the salaries, fees, and expenses of 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 (or any subadvisor, as applicable) provides to the Portfolio. These amounts are disclosed as "Affiliated Portfolio administration fees" on the Statement of Operations. In addition, some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and certain compliance staff, all of whom are employees of Janus Capital and/or its affiliates, are shared with the Portfolio. Total compensation of \$20,480 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2018. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

Effective April 1, 2018, BNP Paribas Financial Services ("BPFS") provides certain administrative services to the Portfolio, including services related to Portfolio accounting, calculation of the Portfolio's daily NAV, and Portfolio audit, tax, and reporting obligations, pursuant to a sub-administration agreement with Janus Capital on behalf of the Portfolio. As compensation for such services, Janus Capital pays BPFS a fee based on a percentage of the Portfolio's assets, along with a flat fee, and is reimbursed by the Portfolio for amounts paid to BPFS (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These amounts are disclosed as "Non-affiliated portfolio administration fees" 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, 2018 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, 2018 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 \$260,650 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2018.

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 Henderson Cash Liquidity Fund LLC is an affiliated

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unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. Janus Henderson 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 Henderson Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Henderson Cash Liquidity Fund LLC. The units of Janus Henderson 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, 2018 can be found in the "Schedules of Affiliated Investments" located in the Schedule of Investments.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital 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, 2018, the Portfolio engaged in cross trades amounting to \$25,493,231 in purchases and \$24,290,485 in sales, resulting in a net realized loss of \$214,432. 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, 2018 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ 3,045,836,730	\$685,756,496	\$(45,584,570)	\$ 640,171,926

Janus Henderson VIT Balanced Portfolio

Notes to Financial Statements (unaudited)

5. Capital Share Transactions

	Period ended June 30, 2018		Year ended December 31, 2017	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	448,360	\$ 15,744,301	525,764	\$ 17,251,280
Shares from the Acquisition (See Note 9)	2,240	76,489	-	-
Reinvested dividends and distributions	530,188	18,039,558	225,051	7,519,526
Shares repurchased	(768,325)	(27,297,272)	(1,895,270)	(62,314,402)
Net Increase/(Decrease)	212,463	\$ 6,563,076	(1,144,455)	\$ (37,543,596)
Service Shares:				
Shares sold	8,312,491	\$309,861,525	12,641,440	\$439,491,829
Shares from the Acquisition (See Note 9)	228,198	8,210,624	-	-
Reinvested dividends and distributions	3,289,250	117,879,861	1,167,543	41,073,805
Shares repurchased	(2,497,183)	(93,282,211)	(5,816,644)	(199,315,445)
Net Increase/(Decrease)	9,332,756	\$342,669,799	7,992,339	\$281,250,189

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2018, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, TBAs, and in-kind transactions, as applicable) 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
\$1,880,434,206	\$1,628,108,452	\$ 935,734,665	\$ 802,075,422

7. Recent Accounting Pronouncements

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. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2018 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.

9. Fund Acquisition

Shareholders of the Janus Henderson Global Allocation Portfolio – Moderate (the "Target Portfolio") approved an Agreement and Plan of Reorganization (the "Merger") that provided for the merger of the Target Portfolio with and into the Portfolio, effective at the close of business on April 27, 2018. The Merger resulted in shareholders of the Target Portfolio receiving shares of the Portfolio which investment strategy is focused on a dynamic approach to asset allocation that leverages Janus Capital's bottom-up, fundamental equity and fixed-income research, combined with a greater asset size that should create greater opportunity to benefit from long-term economies of scale and lower total expenses. The Merger was tax-free for federal income purposes. The table below reflects merger activity.

Janus Henderson VIT Balanced Portfolio

Notes to Financial Statements (unaudited)

<i>Target Portfolio's Shares Outstanding Prior to Merger</i>	<i>Target Portfolio's Net Assets Prior to Merger</i>	<i>Portfolio's Shares Issued in Merger</i>	<i>Portfolio's Net Assets Prior to Merger</i>	<i>Combined Net Assets after Merger</i>	<i>Target Portfolio's Unrealized Appreciation/(Depreciation) Prior to Merger</i>
644,959	\$8,287,113	230,438	\$3,432,633,526	\$3,440,920,639	\$522,786

Assuming the Merger had been completed on 1/1/2018, the pro forma results of operations for the period ended 6/30/2018, are as follows:

Net investment income \$6,402,168

Net gain/(loss) on investments \$58,297,962

Change in unrealized net appreciation/depreciation \$ 17,543,651

Net increase/(decrease) in net assets resulting from operations \$82,243,781

Because the combined investment portfolios have been managed as a single portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Portfolio that have been included in the Portfolio's accompanying Statement of Operations since the close of business on April 27, 2018.

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Additional Information (unaudited)

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (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>.

Full Holdings

The Portfolio is required to disclose its complete holdings on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are 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) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free). Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

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 14 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 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 closed 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 prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 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, 2018 through February 1, 2019, 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

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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, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

- For Janus Henderson Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Long/Short Equity Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge

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quartile for the 12 months ended May 31, 2017. 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 Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.

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- For Janus Henderson Emerging Markets Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson European Focus Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Equity Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Global Select Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson International Opportunities Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson International Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that

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the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

Money Market Funds

- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Contrarian Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Enterprise Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Forty Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.

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- For Janus Henderson Triton Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital and Intech had taken or were taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Intech had taken or were taking to improve performance.
- For Janus Henderson U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

U.S. Equity Funds

- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Select Value Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

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- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Forty Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Research Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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 Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

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

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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 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% 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 clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (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; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

The Trustees considered the fees for each Fund for its fiscal year ended in 2016, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Alternative Funds

- For Janus Henderson Diversified Alternatives 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 International Long/Short 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

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reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, 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 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, 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.

Fixed-Income Funds

- For Janus Henderson 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, 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, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 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, 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 Real Return 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 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 waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic 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 effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity 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.

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- For Janus Henderson Emerging Markets 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 effective June 5, 2017.
- For Janus Henderson European Focus 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 effective June 5, 2017.
- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson 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, the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 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, 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 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 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 International Opportunities 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 effective June 5, 2017.
- For Janus Henderson International Small Cap 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 effective June 5, 2017.
- For Janus Henderson 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 Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government 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.
- For Janus Henderson 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.

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Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation 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 All Asset 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 total expenses effective June 5, 2017.
- For Janus Henderson Dividend & Income Builder 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 effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced 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 Contrarian 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 Enterprise 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 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, 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, the Trustees noted that, although the Fund's total expenses were equal to or 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 effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities 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 effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

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Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility 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 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, 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, 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.

U.S. Equity Funds

- For Janus Henderson Large 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 Mid 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 Select Value Fund, the Trustees noted that the Fund's total expenses were below the peer group averages for all share classes.
- For Janus Henderson Small Cap Value 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.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, 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.
- For Janus Henderson Enterprise Portfolio, 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.
- For Janus Henderson Flexible Bond Portfolio, 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 Portfolio, 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.
- For Janus Henderson Global Allocation Portfolio - 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.
- For Janus Henderson 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, 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, 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.

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- For Janus Henderson Mid Cap Value Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson 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.

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that 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. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were 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's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provided to each Fund. The Trustees also considered such estimated profitability taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Fund is necessarily a product of the allocation methodology utilized by Janus Capital to allocate its expenses as part of the estimated profitability calculation. In this regard, the Trustees noted that the independent fee consultant concluded that (1) the expense allocation methodology utilized by Janus Capital was reasonable and (2) the estimated profitability to Janus Capital from the investment management services it provided to each Fund was reasonable, including after taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. The Trustees also considered that the estimated profitability for an individual Fund was influenced by a number of factors, including not only the allocation methodology selected, but also the presence of fee waivers and expense caps, and whether the Fund's investment management agreement contained breakpoints or a performance fee component. The Trustees determined, after taking into account these factors, among others, that Janus Capital's estimated profitability with respect to each Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Funds was not a material factor in the Board's approval of the reasonableness of any Fund's investment management fees.

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.

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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 or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing certain of these 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 it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. 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 benefit 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.

January 2017

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

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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

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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

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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.

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- 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.

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- 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 Henderson Overseas Fund (formerly, Janus 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.

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- 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.

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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

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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.

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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

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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

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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

Janus Henderson VIT Balanced Portfolio

Additional Information (unaudited)

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

Janus Henderson VIT Balanced Portfolio

Additional Information (unaudited)

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 Balanced 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, 2018. 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 Balanced 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

Janus Henderson VIT Balanced Portfolio

Useful Information About Your Portfolio Report (unaudited)

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.

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.

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Janus Henderson VIT 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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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, 2018, Janus Henderson VIT Research Portfolio's Institutional Shares and Service Shares returned 5.81% and 5.66%, respectively. Meanwhile, the Portfolio's primary benchmark, the Russell 1000[®] Growth Index, returned 7.25% and its secondary benchmark, the S&P 500[®] Index, returned 2.65%. Another benchmark we use to measure performance, the Core Growth Index, returned 4.93%. 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

Volatility returned to the U.S. equities market during the period. Weighing on investor confidence were concerns that the Federal Reserve (Fed) may increase interest rates at a faster pace than previously projected. Global trade tensions were also a source of volatility. Despite these worries, U.S. stocks delivered gains during the period as a result of solid corporate earnings and increased merger-and-acquisition activity.

PERFORMANCE DISCUSSION

While we aim to outperform over shorter periods, our goal is to provide consistent outperformance long term by focusing on what we consider our strength: picking stocks and avoiding macroeconomic risks. Stocks are selected by our six global sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best global opportunities. This period, our stock selection in the health care and consumer sectors detracted from relative performance.

Within the health care sector, Puma Biotechnology and Celgene were our largest detractors. Puma's stock declined when the company announced it was unlikely to get approval from the European Medicines Agency (EMA) for its lead drug, Nerlynx. However, Puma refiled its application and, in June, received a positive opinion, an

outcome that we think the market underestimated.

Nerlynx is now likely to be approved for use in Europe and could have significant market potential. During clinical trials, Nerlynx demonstrated a 34% reduction in the risk of breast cancer recurrence or death, and we believe uptake of the therapy should continue as doctor and patient awareness widens.

Shares of Celgene fell when the FDA issued a Refusal to File letter for Celgene's multiple sclerosis (MS) drug, ozanimod. Although the news was an unwelcome setback, phase 3 data for the drug were promising, and the company reports that another pivotal trial will not be needed. Rather, the FDA may simply require additional preclinical pharmacology data. As a result, Celgene maintained its 2020 guidance and is committed to share repurchases, which should help support the stock. We still think ozanimod will get FDA approval and that the delay should only moderately impact the drug's sales potential. Meanwhile, Celgene has a promising pipeline and could launch up to five new medicines in the next two years, including new treatments for MS, myeloma, lymphoma, beta thalassemia and myeloproliferative disorders. We also believe the stock is attractively valued, trading at a large discount to the market.

Outside the health care sector, Parker Hannifin was a large detractor on an absolute basis. Although the industrial manufacturer reported strong growth in orders during the first quarter, the stock fell after North American profit margins disappointed versus high expectations. We believe the main causes were product mix and inefficiencies caused by plant closures, a result of the integration of Clarcor, which Parker acquired in 2016. We believe these headwinds are temporary and set up for better incremental margins in 2019. Parker's organic growth is encouraging, and management expects that the company will deliver record sales in fiscal year 2018. Further, Parker is focused on reducing costs and optimizing performance, which, along with a lower U.S. corporate tax rate, should boost earnings.

While those stocks detracted from performance, we were pleased by the results of many other stocks in our Portfolio. In particular, stock selection in the financial and energy sectors contributed to relative results. Within the financial sector, Mastercard was a large contributor. The company has strung together several quarters of strong revenue and earnings growth, validating its long-term potential. Mastercard is a longtime holding in the Portfolio, and the secular tailwinds and competitive advantages underpinning our investment thesis remain unchanged. Our long-term view is that there are network effects buttressing established payments businesses such as Mastercard, and that the company is poised to benefit as consumers and businesses switch from cash and check to plastic and electronic payments. Mastercard is particularly well positioned to benefit from this shift because a majority of its revenues are generated outside the U.S., where many markets have a lower penetration of card and electronic payments and are experiencing significantly faster electronic purchase volume growth.

On an absolute basis, Amazon was our largest contributor. Acceleration of its cloud business and continued margin improvement for its core retail business helped drive the stock. Potential for Amazon to leverage its platform to expand into new industries has also driven the stock higher in recent months. Amazon is a longtime holding in our Portfolio and our views on the company remain the same: The company's scale and distribution advantage have entrenched it as the dominant e-commerce platform, which should allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, Amazon Web Services is revolutionizing the way companies utilize IT services, using its scale to offer a disruptive pricing model to businesses seeking IT functions in the cloud.

Adobe was another top contributor. Stock of the software maker rose midway through the first quarter due, in part, to bullish comments from management. The company believes its Creative Cloud suite should benefit from both pricing and new subscriber growth. As many of these new customers will be channeled through the company's website, the incremental operating margin should be significant, in our view. Similarly, any price increases should fall straight to the bottom line. Management also stated that it sees a long runway for growth, as the digitalization of the economy is just ramping up.

OUTLOOK

In recent months, global trade tensions have come to dominate equity markets. We believe these tensions now pose the greatest risk to stocks, especially if a trade war causes consumer and corporate confidence to wane. Indeed, individuals and companies are unlikely to spend if growth – supported by integrated supply chains and access to global markets – falters.

So far, though, our analysts report that most firms seem undeterred by potential trade restrictions and continue to invest. We also see a healthy number of mergers and acquisitions, and retail sales have been robust. Given this behavior, we believe the economy remains on sound footing. We also think tariffs, if and when they are applied, will not be so severe that they lead to a debilitating trade war. After all, it would be counterproductive for the Trump administration to upset global economic growth or to sap the strength of the U.S. technology sector.

With that in mind, we think valuations look attractive. Large-cap stocks, in particular, have an average price-to-earnings (P/E) ratio of 16 to 17. Such P/Es are undemanding in light of continued strength in corporate earnings, still-unrealized savings from tax reform and historically low interest rates. Multiples for small- and mid-cap stocks have pushed higher, but these market caps benefit from a larger universe of stocks, allowing us to be selective.

We believe attractive valuations and solid earnings will help offset higher long-term rates, should they materialize. Therefore, our base case remains: Although we don't expect multiples to expand, we think stocks can deliver positive returns on underlying earnings growth. That leads us to favor growth stocks across most sectors, with a long-term bias toward growth sectors in health care and technology. Trade tensions may make headlines, but fundamentals drive our confidence.

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

Janus Henderson VIT Research Portfolio (unaudited)

Portfolio At A Glance

June 30, 2018

5 Top Performers - Holdings

	Contribution
Amazon.com Inc	1.83%
Adobe Systems Inc	0.83%
Mastercard Inc	0.56%
Microsoft Corp	0.56%
salesforce.com Inc	0.56%

5 Bottom Performers - Holdings

	Contribution
Parker-Hannifin Corp	-0.39%
Puma Biotechnology Inc	-0.36%
Comcast Corp	-0.32%
Altria Group Inc	-0.31%
Celgene Corp	-0.26%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Financials	0.28%	9.59%	9.49%
Energy	0.12%	0.89%	0.87%
Technology	0.04%	36.31%	36.53%
Other**	-0.05%	0.49%	0.00%
Industrials	-0.27%	16.50%	16.56%

2 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Health Care	-0.79%	12.58%	12.77%
Consumer	-0.45%	23.63%	23.77%

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 GICS classified sector.

Janus Henderson VIT Research Portfolio (unaudited)

Portfolio At A Glance

June 30, 2018

5 Largest Equity Holdings - (% of Net Assets)

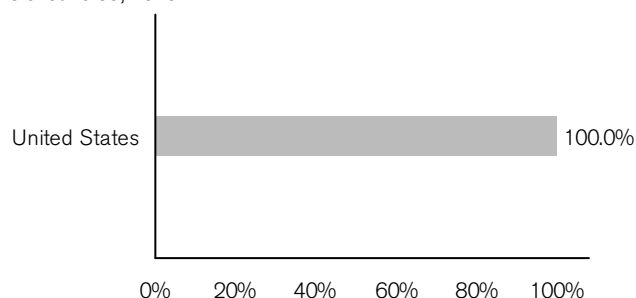
Alphabet Inc	
Internet Software & Services	6.3%
Amazon.com Inc	
Internet & Direct Marketing Retail	5.9%
Apple Inc	
Technology Hardware, Storage & Peripherals	3.7%
Microsoft Corp	
Software	3.7%
Visa Inc	
Information Technology Services	2.7%
	<u>22.3%</u>

Asset Allocation - (% of Net Assets)

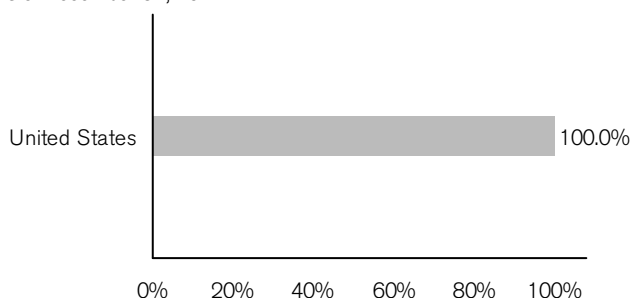
Common Stocks	99.5%
Investment Companies	0.7%
Other	<u>(0.2)%</u>
	100.0%

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

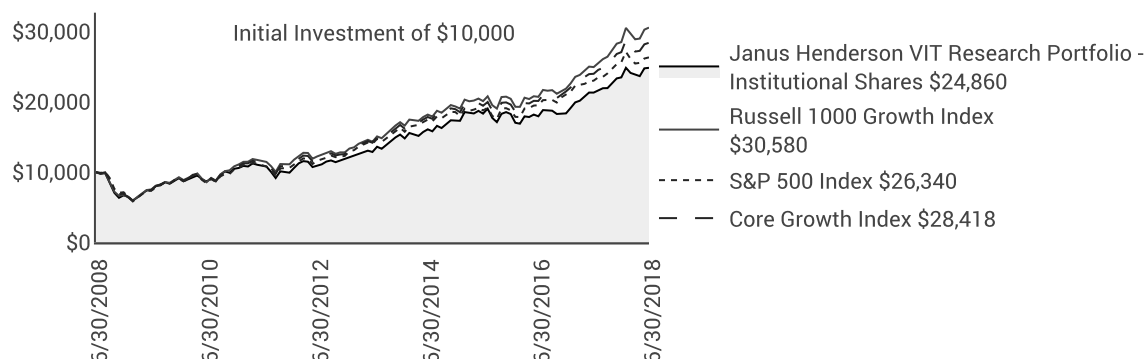
As of June 30, 2018



As of December 31, 2017



Janus Henderson VIT Research Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2018						Expense Ratios - per the April 30, 2018 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	5.81%	16.56%	14.05%	9.53%	8.54%	0.61%
Service Shares	5.66%	16.28%	13.77%	9.26%	8.25%	0.86%
Russell 1000 Growth Index	7.25%	22.51%	16.36%	11.83%	9.53%	
S&P 500 Index	2.65%	14.37%	13.42%	10.17%	9.54%	
Core Growth Index	4.93%	18.39%	14.89%	11.01%	9.57%	
Morningstar Quartile - Institutional Shares	-	3rd	3rd	3rd	3rd	
Morningstar Ranking - based on total returns for Large Growth Funds	-	1,151/1,497	851/1,382	844/1,194	301/446	

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 800.668.0434 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.

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

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.

See important disclosures on the next page.

Janus Henderson VIT Research Portfolio (unaudited)

Performance

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

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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 investment.

See "Useful Information About Your Portfolio Report."

*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/fundalyzer.

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 (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Beginning Account Value (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Net Annualized Expense Ratio (1/1/18 - 6/30/18)
Institutional Shares	\$1,000.00	\$1,058.10	\$2.91	\$1,000.00	\$1,021.97	\$2.86	0.57%
Service Shares	\$1,000.00	\$1,056.60	\$4.18	\$1,000.00	\$1,020.73	\$4.11	0.82%

[†] 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, 2018

	Shares	Value
Common Stocks – 99.5%		
Aerospace & Defense – 2.1%		
Boeing Co	12,746	\$4,276,410
L3 Technologies Inc	35,033	6,737,547
		11,013,957
Airlines – 0.8%		
United Continental Holdings Inc*	56,294	3,925,381
Auto Components – 1.0%		
Aptiv PLC	55,630	5,097,377
Beverages – 2.6%		
Coca-Cola Co	218,655	9,590,208
Monster Beverage Corp*	68,584	3,929,863
		13,520,071
Biotechnology – 4.8%		
AnaptysBio Inc*	31,475	2,235,984
Biogen Inc*	19,311	5,604,825
Celgene Corp*	59,252	4,705,794
Global Blood Therapeutics Inc*	29,327	1,325,580
Insmed Inc*	42,980	1,016,477
Neurocrine Biosciences Inc*	44,214	4,343,583
Puma Biotechnology Inc*	35,260	2,085,629
Regeneron Pharmaceuticals Inc*	11,466	3,955,655
		25,273,527
Building Products – 0.8%		
AO Smith Corp	70,461	4,167,768
Capital Markets – 2.5%		
Blackstone Group LP	56,855	1,829,025
CME Group Inc	17,954	2,943,020
Intercontinental Exchange Inc	50,438	3,709,715
TD Ameritrade Holding Corp	80,332	4,399,784
		12,881,544
Chemicals – 2.0%		
Air Products & Chemicals Inc	34,767	5,414,265
Sherwin-Williams Co	12,206	4,974,799
		10,389,064
Construction Materials – 0.7%		
Vulcan Materials Co	29,671	3,829,339
Consumer Finance – 0.6%		
Synchrony Financial	97,639	3,259,190
Containers & Packaging – 1.3%		
Ball Corp	153,238	5,447,611
Sealed Air Corp	37,138	1,576,508
		7,024,119
Diversified Consumer Services – 0.6%		
ServiceMaster Global Holdings Inc*	49,984	2,972,549
Electrical Equipment – 0.7%		
Sensata Technologies Holding PLC*	78,244	3,722,850
Electronic Equipment, Instruments & Components – 1.6%		
Cognex Corp	80,899	3,608,904
Flex Ltd*	320,216	4,518,248
		8,127,152
Equity Real Estate Investment Trusts (REITs) – 2.1%		
American Tower Corp	48,015	6,922,323
Equinix Inc	6,051	2,601,264
Invitation Homes Inc	67,151	1,548,502
		11,072,089
Health Care Equipment & Supplies – 1.7%		
Boston Scientific Corp*	181,208	5,925,502
DexCom Inc*	32,182	3,056,646
		8,982,148

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, 2018

	Shares	Value
Common Stocks – (continued)		
Health Care Providers & Services – 2.7%		
Humana Inc	24,894	\$7,409,201
UnitedHealth Group Inc	26,429	6,484,091
		13,893,292
Health Care Technology – 0.7%		
athenahealth Inc*	22,314	3,551,050
Hotels, Restaurants & Leisure – 4.7%		
Aramark	98,745	3,663,440
Dunkin' Brands Group Inc	37,358	2,580,317
McDonald's Corp	55,511	8,698,019
Norwegian Cruise Line Holdings Ltd*	66,159	3,126,013
Starbucks Corp	132,308	6,463,246
		24,531,035
Independent Power and Renewable Electricity Producers – 0.3%		
NRG Energy Inc	53,672	1,647,730
Information Technology Services – 7.9%		
Amdocs Ltd	62,710	4,150,775
Gartner Inc*	52,855	7,024,430
Mastercard Inc	63,091	12,398,643
Visa Inc	105,000	13,907,250
Worldpay Inc*	43,419	3,550,806
		41,031,904
Insurance – 1.1%		
Progressive Corp	95,397	5,642,733
Internet & Direct Marketing Retail – 7.9%		
Amazon.com Inc*	18,228	30,983,954
Booking Holdings Inc*	3,766	7,634,021
Wayfair Inc*	22,226	2,639,560
		41,257,535
Internet Software & Services – 8.4%		
Alphabet Inc*	29,637	33,064,519
Facebook Inc*	56,915	11,059,723
		44,124,242
Life Sciences Tools & Services – 0.9%		
Thermo Fisher Scientific Inc	21,551	4,464,074
Machinery – 2.6%		
Illinois Tool Works Inc	48,993	6,787,490
Parker-Hannifin Corp	42,357	6,601,338
		13,388,828
Media – 1.6%		
Liberty Broadband Corp*	55,556	4,206,700
Liberty Media Corp-Liberty Formula One*	114,649	4,256,917
		8,463,617
Oil, Gas & Consumable Fuels – 0.7%		
Anadarko Petroleum Corp	29,041	2,127,253
Enterprise Products Partners LP	50,463	1,396,311
		3,523,564
Personal Products – 0.9%		
Estee Lauder Cos Inc	33,175	4,733,741
Pharmaceuticals – 2.6%		
Bristol-Myers Squibb Co	74,018	4,096,156
Eli Lilly & Co	78,005	6,656,167
Mylan NV*	75,609	2,732,509
Nektar Therapeutics*	6,833	333,655
		13,818,487
Professional Services – 1.4%		
CoStar Group Inc*	10,493	4,329,727
Verisk Analytics Inc*	27,187	2,926,409
		7,256,136

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, 2018

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Real Estate Investment Trusts (REITs) – 0%		
Colony America Homes III ^{*,¢,§}	442,372	\$32,736
Road & Rail – 1.2%		
Union Pacific Corp	43,166	6,115,759
Semiconductor & Semiconductor Equipment – 6.9%		
Broadcom Inc	30,633	7,432,791
Lam Research Corp	30,913	5,343,312
Microchip Technology Inc	74,544	6,779,777
NVIDIA Corp	30,944	7,330,634
Texas Instruments Inc	85,485	9,424,721
		36,311,235
Software – 12.6%		
Activision Blizzard Inc	111,279	8,492,813
Adobe Systems Inc*	49,704	12,118,332
Autodesk Inc*	19,435	2,547,734
Microsoft Corp	195,245	19,253,109
salesforce.com Inc*	78,099	10,652,704
SS&C Technologies Holdings Inc	55,567	2,883,927
Tyler Technologies Inc*	20,655	4,587,476
Ultimate Software Group Inc*	20,745	5,337,896
		65,873,991
Specialty Retail – 0.8%		
Tractor Supply Co	54,961	4,203,967
Technology Hardware, Storage & Peripherals – 3.7%		
Apple Inc	105,013	19,438,956
Textiles, Apparel & Luxury Goods – 1.8%		
NIKE Inc	91,547	7,294,465
Under Armour Inc*	109,463	2,307,480
		9,601,945
Tobacco – 1.8%		
Altria Group Inc	169,481	9,624,826
Trading Companies & Distributors – 0.4%		
Fastenal Co	48,487	2,333,679
Total Common Stocks (cost \$382,066,871)		520,123,187
Investment Companies – 0.7%		
Money Markets – 0.7%		
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{Ⓜ,£} (cost \$3,839,000)	3,839,000	3,839,000
Total Investments (total cost \$385,905,871) – 100.2%		523,962,187
Liabilities, net of Cash, Receivables and Other Assets – (0.2)%		(1,177,306)
Net Assets – 100%		\$522,784,881

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, 2018

Schedules of Affiliated Investments – (% of Net Assets)

	<i>Dividend Income</i>	<i>Realized Gain/(Loss)</i>	<i>Change in Unrealized Appreciation/ Depreciation</i>	<i>Value at 6/30/18</i>
Investment Companies - 0.7%				
Money Markets - 0.7%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{oo}	\$ 14,779	\$ -	\$ -	\$ 3,839,000

	<i>Share Balance at 12/31/17</i>	<i>Purchases</i>	<i>Sales</i>	<i>Share Balance at 6/30/18</i>
Investment Companies - 0.7%				
Money Markets - 0.7%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{oo}	6,311,000	41,624,858	(44,096,858)	3,839,000

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

Janus Henderson VIT Research 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.
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.
°°	Rate shown is the 7-day yield as of June 30, 2018.
¢	Security is valued using significant unobservable inputs.
£	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.

§ Schedule of Restricted and Illiquid Securities (as of June 30, 2018)

	<i>Acquisition Date</i>		<i>Cost</i>		<i>Value</i>	<i>Value as a % of Net Assets</i>
Colony America Homes III	1/30/13	\$	35,020	\$	32,736	0.0%

The Portfolio has registration rights for certain restricted securities held as of June 30, 2018. 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, 2018. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	<i>Level 1 - Quotes Prices</i>	<i>Level 2 - Other Significant Observable Inputs</i>	<i>Level 3 - Significant Unobservable Inputs</i>
Assets			
Investments in Securities:			
<i>Common Stocks</i>			
Real Estate Investment Trusts (REITs)	\$ -	\$ -	\$ 32,736
All Other	520,090,451	-	-
<i>Investment Companies</i>	-	3,839,000	-
Total Assets	\$ 520,090,451	\$ 3,839,000	\$ 32,736

Janus Henderson VIT Research Portfolio

Statement of Assets and Liabilities (unaudited)

June 30, 2018

Assets:		
Unaffiliated investments, at value ⁽¹⁾	\$	520,123,187
Affiliated investments, at value ⁽²⁾		3,839,000
Cash		474
Non-interested Trustees' deferred compensation		10,951
Receivables:		
Investments sold		1,758,905
Dividends		359,330
Portfolio shares sold		49,670
Dividends from affiliates		2,589
Foreign tax reclaims		1,931
Other assets		953
Total Assets		526,146,990
Liabilities:		
Payables:		
Investments purchased		2,612,301
Portfolio shares repurchased		386,655
Advisory fees		224,437
12b-1 Distribution and shareholder servicing fees		31,218
Transfer agent fees and expenses		24,692
Professional fees		15,926
Non-affiliated portfolio administration fees payable		13,128
Non-interested Trustees' deferred compensation fees		10,951
Non-interested Trustees' fees and expenses		5,067
Custodian fees		1,961
Affiliated portfolio administration fees payable		1,132
Accrued expenses and other payables		34,641
Total Liabilities		3,362,109
Net Assets	\$	522,784,881
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	349,463,966
Undistributed net investment income/(loss)		597,585
Undistributed net realized gain/(loss) from investments		34,665,171
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		138,058,159
Total Net Assets	\$	522,784,881
Net Assets - Institutional Shares	\$	378,678,575
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		10,324,276
Net Asset Value Per Share	\$	36.68
Net Assets - Service Shares	\$	144,106,306
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		4,026,316
Net Asset Value Per Share	\$	35.79

(1) Includes cost of \$382,066,871.

(2) Includes cost of \$3,839,000.

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2018

Investment Income:		
Dividends	\$	2,899,655
Dividends from affiliates		14,779
Foreign tax withheld		(16)
Total Investment Income		2,914,418
Expenses:		
Advisory fees		1,267,091
12b-1 Distribution and shareholder servicing fees:		
Service Shares		188,459
Transfer agent administrative fees and expenses:		
Institutional Shares		94,953
Service Shares		37,692
Other transfer agent fees and expenses:		
Institutional Shares		6,688
Service Shares		1,541
Professional fees		23,154
Shareholder reports expense		15,006
Non-affiliated portfolio administration fees		13,129
Affiliated portfolio administration fees		12,228
Non-interested Trustees' fees and expenses		9,172
Registration fees		8,803
Custodian fees		8,342
Other expenses		12,660
Total Expenses		1,698,918
Net Investment Income/(Loss)		1,215,500
Net Realized Gain/(Loss) on Investments:		
Investments		35,080,250
Total Net Realized Gain/(Loss) on Investments		35,080,250
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		(6,005,662)
Total Change in Unrealized Net Appreciation/Depreciation		(6,005,662)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$	30,290,088

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio

Statements of Changes in Net Assets

	Period ended June 30, 2018 (unaudited)		Year ended December 31, 2017	
Operations:				
Net investment income/(loss)	\$	1,215,500	\$	2,105,671
Net realized gain/(loss) on investments		35,080,250		49,093,639
Change in unrealized net appreciation/depreciation		(6,005,662)		73,938,175
Net Increase/(Decrease) in Net Assets Resulting from Operations		30,290,088		125,137,485
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(1,321,018)		(1,412,483)
Service Shares		(352,494)		(376,759)
Total Dividends from Net Investment Income		(1,673,512)		(1,789,242)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(18,195,831)		(3,425,857)
Service Shares		(7,101,019)		(1,510,437)
Total Distributions from Net Realized Gain from Investment Transactions		(25,296,850)		(4,936,294)
Net Decrease from Dividends and Distributions to Shareholders		(26,970,362)		(6,725,536)
Capital Share Transactions:				
Institutional Shares		(2,381,653)		(34,354,187)
Service Shares		(17,639,846)		(18,987,617)
Net Increase/(Decrease) from Capital Share Transactions		(20,021,499)		(53,341,804)
Net Increase/(Decrease) in Net Assets		(16,701,773)		65,070,145
Net Assets:				
Beginning of period		539,486,654		474,416,509
End of period	\$	522,784,881	\$	539,486,654
Undistributed Net Investment Income/(Loss)	\$	597,585	\$	1,055,597

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio

Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$36.51	\$28.93	\$30.84	\$35.76	\$34.20	\$26.45
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.10 ⁽¹⁾	0.16 ⁽¹⁾	0.14 ⁽¹⁾	0.17 ⁽¹⁾	0.15 ⁽¹⁾	0.16
Net realized and unrealized gain/(loss)	2.05	7.87	(0.03)	1.92	4.08	7.83
Total from Investment Operations	2.15	8.03	0.11	2.09	4.23	7.99
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.13)	(0.13)	(0.16)	(0.23)	(0.13)	(0.24)
Distributions (from capital gains)	(1.85)	(0.32)	(1.86)	(6.78)	(2.54)	—
Total Dividends and Distributions	(1.98)	(0.45)	(2.02)	(7.01)	(2.67)	(0.24)
Net Asset Value, End of Period	\$36.68	\$36.51	\$28.93	\$30.84	\$35.76	\$34.20
Total Return*	5.81%	27.88%	0.50%	5.35%	12.99%	30.34%
Net Assets, End of Period (in thousands)	\$378,679	\$379,048	\$330,516	\$380,663	\$431,838	\$433,603
Average Net Assets for the Period (in thousands)	\$382,977	\$360,896	\$353,738	\$413,393	\$420,607	\$399,973
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.57%	0.61%	0.62%	0.71%	0.55%	0.54%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.57%	0.61%	0.62%	0.71%	0.55%	0.54%
Ratio of Net Investment Income/(Loss)	0.53%	0.48%	0.47%	0.49%	0.44%	0.65%
Portfolio Turnover Rate	26%	55%	58%	54%	60%	50%

Service Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$35.68	\$28.31	\$30.24	\$35.21	\$33.74	\$26.13
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.05 ⁽¹⁾	0.08 ⁽¹⁾	0.06 ⁽¹⁾	0.08 ⁽¹⁾	0.06 ⁽¹⁾	0.02
Net realized and unrealized gain/(loss)	2.00	7.69	(0.02)	1.89	4.03	7.79
Total from Investment Operations	2.05	7.77	0.04	1.97	4.09	7.81
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.09)	(0.08)	(0.11)	(0.16)	(0.08)	(0.20)
Distributions (from capital gains)	(1.85)	(0.32)	(1.86)	(6.78)	(2.54)	—
Total Dividends and Distributions	(1.94)	(0.40)	(1.97)	(6.94)	(2.62)	(0.20)
Net Asset Value, End of Period	\$35.79	\$35.68	\$28.31	\$30.24	\$35.21	\$33.74
Total Return*	5.66%	27.55%	0.27%	5.08%	12.73%	29.99%
Net Assets, End of Period (in thousands)	\$144,106	\$160,439	\$143,900	\$163,148	\$162,422	\$170,880
Average Net Assets for the Period (in thousands)	\$152,114	\$155,006	\$151,772	\$166,602	\$163,094	\$174,538
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.82%	0.86%	0.87%	0.97%	0.80%	0.79%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.82%	0.86%	0.87%	0.97%	0.80%	0.79%
Ratio of Net Investment Income/(Loss)	0.28%	0.23%	0.22%	0.25%	0.19%	0.41%
Portfolio Turnover Rate	26%	55%	58%	54%	60%	50%

* Total return not annualized for periods of less than one full year and does not include fees, charges, or expenses imposed by the variable annuity and life insurance contracts for which Janus Aspen Series serves as an underlying investment vehicle.

** 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.

Janus Henderson VIT Research Portfolio

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Janus Henderson VIT 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 11 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

Janus Henderson VIT Research Portfolio

Notes to Financial Statements (unaudited)

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, 2018 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, 2018.

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.

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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.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Currently, Management does not believe the bill will have a material impact on the Fund's intention to continue to qualify as a regulated investment company, which is generally not subject to U.S. federal income tax.

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,

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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.

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.

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. 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.

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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, 2018, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.48%.

Janus Services LLC ("Janus Services"), a wholly-owned subsidiary of Janus Capital, is the Portfolio's transfer agent. 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 serves as administrator to the Portfolio pursuant to an administration agreement between Janus Capital and the Trust. Under the administration agreement, Janus Capital provides oversight and coordination of the Portfolio's service providers, recordkeeping, and other administrative services, and is reimbursed by the Portfolio for certain of its costs in providing these 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 pays for some or all of the salaries, fees, and expenses of 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 (or any subadvisor, as applicable) provides to the Portfolio. These amounts are disclosed as "Affiliated Portfolio administration fees" on the Statement of Operations. In addition, some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and certain compliance staff, all of whom are employees of Janus Capital and/or its affiliates, are shared with the Portfolio. Total compensation of \$20,480 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2018. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

Effective April 1, 2018, BNP Paribas Financial Services ("BPFS") provides certain administrative services to the Portfolio, including services related to Portfolio accounting, calculation of the Portfolio's daily NAV, and Portfolio audit, tax, and reporting obligations, pursuant to a sub-administration agreement with Janus Capital on behalf of the Portfolio. As compensation for such services, Janus Capital pays BPFS a fee based on a percentage of the Portfolio's assets, along with a flat fee, and is reimbursed by the Portfolio for amounts paid to BPFS (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These amounts are disclosed as "Non-affiliated portfolio administration fees" on the Statement of Operations.

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Notes to Financial Statements (unaudited)

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, 2018 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, 2018 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 \$260,650 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2018.

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 Henderson 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 Henderson 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 Henderson Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Henderson Cash Liquidity Fund LLC. The units of Janus Henderson 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, 2018 can be found in the "Schedules of Affiliated Investments" located in the Schedule of Investments.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital 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, 2018, the Portfolio engaged in cross trades amounting to \$316,506 in sales, resulting in a net realized loss of \$3,371. 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 aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2018 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

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<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ 386,418,622	\$148,905,881	\$(11,362,316)	\$ 137,543,565

5. Capital Share Transactions

	<i>Period ended June 30, 2018</i>		<i>Year ended December 31, 2017</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	87,497	\$ 3,364,147	188,132	\$ 6,276,438
Reinvested dividends and distributions	522,819	19,516,849	142,892	4,838,340
Shares repurchased	(666,717)	(25,262,649)	(1,373,370)	(45,468,965)
Net Increase/(Decrease)	(56,401)	\$ (2,381,653)	(1,042,346)	\$(34,354,187)
Service Shares:				
Shares sold	156,268	\$ 5,826,069	221,432	\$ 7,150,742
Reinvested dividends and distributions	204,598	7,453,513	57,145	1,887,196
Shares repurchased	(831,153)	(30,919,428)	(865,269)	(28,025,555)
Net Increase/(Decrease)	(470,287)	\$(17,639,846)	(586,692)	\$(18,987,617)

6. Purchases and Sales of Investment Securities

For the period ended June 30, 2018, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, TBAs, and in-kind transactions, as applicable) was as follows:

<i>Purchases of Securities</i>	<i>Proceeds from Sales of Securities</i>	<i>Purchases of Long- Term U.S. Government Obligations</i>	<i>Proceeds from Sales of Long-Term U.S. Government Obligations</i>
\$138,781,287	\$ 181,601,979	\$ -	\$ -

7. Recent Accounting Pronouncements

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. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2018 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.

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Additional Information (unaudited)

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (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>.

Full Holdings

The Portfolio is required to disclose its complete holdings on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are 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) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free). Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

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 14 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 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 closed 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 prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 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, 2018 through February 1, 2019, 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

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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, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

- For Janus Henderson Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Long/Short Equity Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's

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underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Emerging Markets Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.

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- For Janus Henderson European Focus Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Equity Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Global Select Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson International Opportunities Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson International Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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Money Market Funds

- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Contrarian Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Enterprise Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Forty Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for

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the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

- For Janus Henderson Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital and Intech had taken or were taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Intech had taken or were taking to improve performance.
- For Janus Henderson U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

U.S. Equity Funds

- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Select Value Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

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- For Janus Henderson Forty Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Research Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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 Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

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.

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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 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% 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 clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (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; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

The Trustees considered the fees for each Fund for its fiscal year ended in 2016, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Alternative Funds

- For Janus Henderson Diversified Alternatives 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 International Long/Short 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 effective June 5, 2017.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, 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

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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, 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, 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.

Fixed-Income Funds

- For Janus Henderson 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, 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, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 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, 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 Real Return 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 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 waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic 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 effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity 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 Emerging Markets 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 effective June 5, 2017.
- For Janus Henderson European Focus 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

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Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson 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, the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 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, 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 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 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 International Opportunities 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 effective June 5, 2017.
- For Janus Henderson International Small Cap 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 effective June 5, 2017.
- For Janus Henderson 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 Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government 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.
- For Janus Henderson 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.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation 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 All Asset 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

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.

- For Janus Henderson Dividend & Income Builder 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 effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced 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 Contrarian 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 Enterprise 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 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, 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, the Trustees noted that, although the Fund's total expenses were equal to or 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 effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities 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 effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility 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.

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

- For Janus Henderson 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, 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, 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.

U.S. Equity Funds

- For Janus Henderson Large 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 Mid 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 Select Value Fund, the Trustees noted that the Fund's total expenses were below the peer group averages for all share classes.
- For Janus Henderson Small Cap Value 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.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, 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.
- For Janus Henderson Enterprise Portfolio, 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.
- For Janus Henderson Flexible Bond Portfolio, 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 Portfolio, 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.
- For Janus Henderson Global Allocation Portfolio - 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.
- For Janus Henderson 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, 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, 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 Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson 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.

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that 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. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were 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's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provided to each Fund. The Trustees also considered such estimated profitability taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Fund is necessarily a product of the allocation methodology utilized by Janus Capital to allocate its expenses as part of the estimated profitability calculation. In this regard, the Trustees noted that the independent fee consultant concluded that (1) the expense allocation methodology utilized by Janus Capital was reasonable and (2) the estimated profitability to Janus Capital from the investment management services it provided to each Fund was reasonable, including after taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. The Trustees also considered that the estimated profitability for an individual Fund was influenced by a number of factors, including not only the allocation methodology selected, but also the presence of fee waivers and expense caps, and whether the Fund's investment management agreement contained breakpoints or a performance fee component. The Trustees determined, after taking into account these factors, among others, that Janus Capital's estimated profitability with respect to each Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Funds was not a material factor in the Board's approval of the reasonableness of any Fund's investment management fees.

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 or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus

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Additional Information (unaudited)

Capital, Janus Capital is subsidizing certain of these 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 it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. 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.

January 2017

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

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Additional Information (unaudited)

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

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Additional Information (unaudited)

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.

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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 Henderson Overseas Fund (formerly, Janus 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.

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

- 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

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

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

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

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.

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

- 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

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

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.

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Additional Information (unaudited)

- 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

Janus Henderson VIT Research Portfolio

Additional Information (unaudited)

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

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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, 2018. 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 Research Portfolio

Useful Information About Your Portfolio Report (unaudited)

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

Janus Henderson VIT Research Portfolio

Useful Information About Your Portfolio Report (unaudited)

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.

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.

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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.

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Janus Henderson VIT 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, 2018, Janus Henderson VIT Enterprise Portfolio's Institutional Shares and Service Shares returned 7.44% and 7.31%, respectively. Meanwhile, the Portfolio's benchmark, the Russell Midcap[®] Growth Index, returned 5.40%.

INVESTMENT ENVIRONMENT

Volatility returned to the U.S. equities market. Weighing on investor confidence were concerns that the Federal Reserve (Fed) may increase interest rates at a faster pace than had previously been projected. Global trade tensions were also a source of volatility. Despite these worries, U.S. stocks delivered gains during the period as a result of solid corporate earnings and increased merger-and-acquisition activity. In the second quarter, the mid-cap market was led by a narrow subset of consumer Internet, medical technology and Software-as-a-Service (SaaS) companies. Many of these stocks trade at high valuations or are yet to produce earnings.

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.

WEX Inc. was our largest contributor. The company provides fuel payment cards for trucking fleets and also provides several other unique payment services. WEX won

a large contract during the first quarter, which helped lift the stock. Rising oil prices, which ultimately boost revenues for the company, were also beneficial for the stock. We continue to like the company, and believe it has earned its leading market share position through differentiated back-end reporting, bill pay consolidation features and complex analytics.

Boston Scientific was another meaningful contributor. The medtech company reported strong earnings growth during the second quarter, which helped drive the stock. We remain 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.

Atlassian was another top contributor. The Australian software company reported solid revenue growth. In addition, one of Atlassian's competitors was acquired during the period for a high multiple, which in some ways validated the value of Atlassian's business. We continue to see upside potential for the stock. Atlassian's software tools allow business teams to collaborate with each other. We like the recurring revenue streams its subscription-based services provide, its potential long-term pricing power due to low-cost offerings and that many of Atlassian's services have gained traction virally, allowing the company to grow without a large sales force.

While generally pleased with the Portfolio's performance this period, we still held stocks that detracted from our results. Flex was our largest detractor. Flex provides supply chain solutions to businesses around the world. It is working on a solution to near-source manufacturing for Nike, and delays on the project caused Flex to miss earnings estimates, and ultimately led the stock down. We continue to like the stock and believe it provides great value to its customers. Further, we like that Flex is

Janus Henderson VIT Enterprise Portfolio (unaudited)

diversifying its business by expanding to serve industrial, medical and consumer discretionary end markets.

Celgene was another detractor. Shares of the biotechnology company fell when the FDA issued a Refusal to File letter for Celgene's multiple sclerosis (MS) drug, Ozanimod. Although the news was an unwelcome setback, phase 3 data for the drug were promising, and the company reports that another pivotal trial will not be needed. Rather, the FDA may simply require additional preclinical pharmacology data. As a result, Celgene maintained its 2020 guidance and is committed to share repurchases, which should help support the stock. We still think Ozanimod will get FDA approval and that the delay should only moderately impact the drug's sales potential. Meanwhile, Celgene has a promising pipeline and could launch up to five new medicines in the next two years, including new treatments for MS, myeloma, lymphoma, beta thalassemia and myeloproliferative disorders. We also believe the stock is attractively valued, trading at a large discount to the market.

Sealed Air Corp. also detracted. The packaging materials manufacturer has delivered strong revenue growth, but has done so at a lower-margin than we had hoped. We view this as a minor setback, however, and believe that the company is bringing innovative packaging solutions to the food packaging industry it serves.

DERIVATIVES

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

OUTLOOK

As momentum drives a narrow set of highly valued midcap stocks forward, we're sticking to a core tenet of our investment philosophy: valuation matters.

We believe indiscriminate buying of SaaS, consumer Internet and a few medtech companies has pushed many stocks in those industries to untenable valuations. The Russell Midcap Growth leaders in the second quarter speak to the potential froth: Of the 15 top performing stocks in the benchmark, only two traded at a price-earnings ratio of less than 35, and many of these companies are not yet profitable.

We understand the excitement tied to the industries in which these highly valued companies operate. There's a lot of innovation in the medtech field, SaaS is redefining the delivery model for business and consumer

applications, and consumer Internet companies are upending how we consume content and access information. However, we think there has been a halo effect pushing up nearly every stock within these industries.

We own stocks tied to these themes, and some of them were top performers for the Portfolio during the second quarter. But we've taken a selective approach in these areas, mindful of the fact that as the valuations get higher, so too does the range of outcomes and downside risk for the stocks. Against this momentum-driven backdrop, we are closely analyzing the competitive advantage of these companies relative to their valuation. We're assessing the strength of the management team, the size and duration of a company's growth potential and the size of their addressable market.

This detailed analysis has caused us to avoid many of the highly valued stocks in the index and reduce select positions in the face of unbridled sentiment. That hurt performance during the second quarter of this period and could hurt again in the short term if momentum continues to drive these stocks higher. However, we've seen euphoria in these market segments before and believe it imprudent to ignore the associated risks. In those cases, we stuck to our knitting and remained valuation conscious. As our five- and 10-year track record indicates, that discipline was rewarded in the long term. We believe our discipline will be rewarded again.

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

Janus Henderson VIT Enterprise Portfolio (unaudited)

Portfolio At A Glance

June 30, 2018

5 Top Performers - Holdings

	Contribution
WEX Inc	0.59%
CoStar Group Inc	0.53%
Constellation Software Inc/Canada	0.53%
Boston Scientific Corp	0.52%
Atlassian Corp. Plc	0.51%

5 Bottom Performers - Holdings

	Contribution
Flex Ltd	-0.31%
Celgene Corp	-0.22%
ACADIA Pharmaceuticals Inc	-0.22%
Sealed Air Corp	-0.22%
Puma Biotechnology Inc	-0.19%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Industrials	1.17%	20.58%	17.22%
Information Technology	0.56%	34.42%	29.20%
Materials	0.53%	1.40%	5.86%
Financials	0.36%	9.08%	7.36%
Consumer Discretionary	0.32%	9.11%	17.20%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Health Care	-0.26%	17.08%	13.48%
Real Estate	-0.18%	3.53%	3.04%
Energy	-0.15%	0.36%	2.39%
Cash and Equivalents	-0.12%	4.46%	0.00%
Utilities	0.00%	0.00%	0.05%

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 Enterprise Portfolio (unaudited)

Portfolio At A Glance

June 30, 2018

5 Largest Equity Holdings - (% of Net Assets)

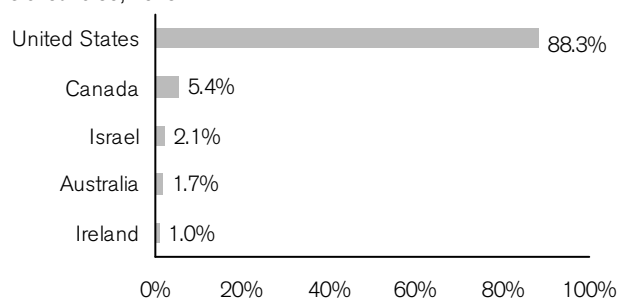
TD Ameritrade Holding Corp	
Capital Markets	2.4%
Constellation Software Inc/Canada	
Software	2.3%
Sensata Technologies Holding PLC	
Electrical Equipment	2.2%
Microchip Technology Inc	
Semiconductor & Semiconductor Equipment	2.2%
WEX Inc	
Information Technology Services	2.1%
	11.2%

Asset Allocation - (% of Net Assets)

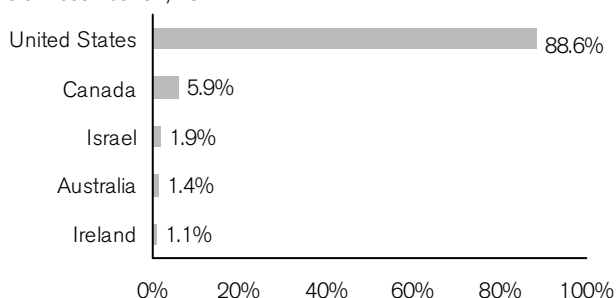
Common Stocks	95.2%
Investment Companies	4.9%
Preferred Stocks	0.1%
Other	(0.2)%
	100.0%

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

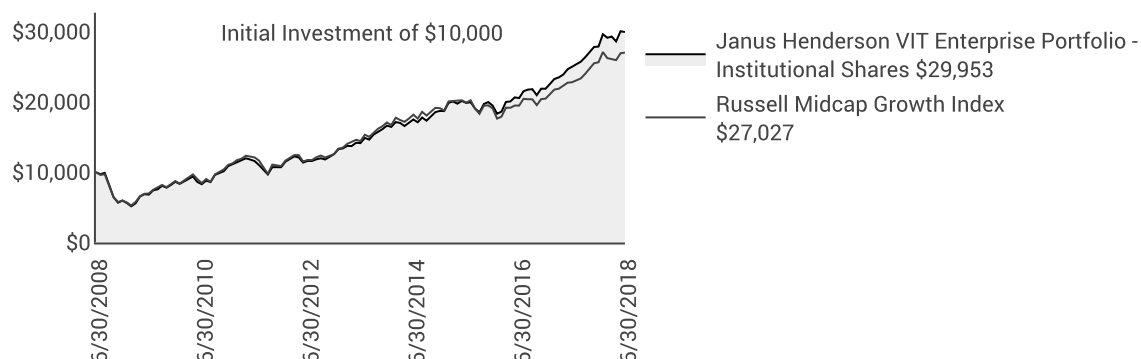
As of June 30, 2018



As of December 31, 2017



Janus Henderson VIT Enterprise Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2018						Expense Ratios - per the April 30, 2018 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares ⁽¹⁾	7.44%	19.74%	16.19%	11.59%	11.16%	0.73%
Service Shares ⁽¹⁾	7.31%	19.45%	15.90%	11.31%	10.87%	0.98%
Russell Midcap Growth Index	5.40%	18.52%	13.37%	10.45%	9.87%	
Morningstar Quartile - Institutional Shares	-	2nd	1st	1st	1st	
Morningstar Ranking - based on total returns for Mid-Cap Growth Funds	-	213/624	16/569	46/507	20/142	

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 800.668.0434 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.

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

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.

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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 investment.

See important disclosures on the next page.

Janus Henderson VIT Enterprise Portfolio (unaudited) Performance

See "Useful Information About Your Portfolio Report."

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

(1) Closed to certain new investors.

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/fundalyzer.

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 (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Beginning Account Value (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Net Annualized Expense Ratio (1/1/18 - 6/30/18)
Institutional Shares	\$1,000.00	\$1,074.40	\$3.70	\$1,000.00	\$1,021.22	\$3.61	0.72%
Service Shares	\$1,000.00	\$1,073.10	\$4.99	\$1,000.00	\$1,019.98	\$4.86	0.97%

[†] 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, 2018

	Shares	Value
Common Stocks – 95.2%		
Aerospace & Defense – 3.1%		
Harris Corp	62,566	\$9,043,290
HEICO Corp	201,420	12,276,549
Teledyne Technologies Inc*	88,061	17,529,423
		38,849,262
Airlines – 1.0%		
Ryanair Holdings PLC (ADR)*	109,586	12,518,009
Auto Components – 0.5%		
Visteon Corp*	45,684	5,904,200
Banks – 0.6%		
SVB Financial Group*	26,896	7,766,489
Biotechnology – 2.2%		
ACADIA Pharmaceuticals Inc*	169,965	2,595,366
Alkermes PLC*	98,759	4,064,920
Celgene Corp*	101,694	8,076,537
Neurocrine Biosciences Inc*	128,843	12,657,536
		27,394,359
Building Products – 0.9%		
AO Smith Corp	187,700	11,102,455
Capital Markets – 4.8%		
LPL Financial Holdings Inc	319,066	20,911,586
MSCI Inc	52,672	8,713,529
TD Ameritrade Holding Corp	540,679	29,612,989
		59,238,104
Commercial Services & Supplies – 3.5%		
Cimpress NV*	145,113	21,035,580
Edenred	321,747	10,153,262
Ritchie Bros Auctioneers Inc	377,759	12,889,137
		44,077,979
Consumer Finance – 0.6%		
Synchrony Financial	213,790	7,136,310
Containers & Packaging – 1.3%		
Sealed Air Corp	385,812	16,377,719
Diversified Consumer Services – 1.7%		
ServiceMaster Global Holdings Inc*	363,409	21,611,933
Electrical Equipment – 2.7%		
AMETEK Inc	88,897	6,414,808
Sensata Technologies Holding PLC*	581,594	27,672,243
		34,087,051
Electronic Equipment, Instruments & Components – 6.1%		
Belden Inc	126,193	7,712,916
Dolby Laboratories Inc	157,507	9,716,607
Flex Ltd*	1,055,014	14,886,248
National Instruments Corp	424,583	17,823,994
TE Connectivity Ltd	281,671	25,367,290
		75,507,055
Equity Real Estate Investment Trusts (REITs) – 3.5%		
Crown Castle International Corp	207,128	22,332,541
Lamar Advertising Co	314,915	21,511,844
		43,844,385
Health Care Equipment & Supplies – 8.9%		
Boston Scientific Corp*	767,941	25,111,671
Cooper Cos Inc	93,802	22,085,681
DexCom Inc*	76,364	7,253,053
ICU Medical Inc*	36,953	10,851,248
STERIS PLC	188,883	19,834,604
Teleflex Inc	41,526	11,137,688
Varian Medical Systems Inc*	125,912	14,318,713
		110,592,658

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, 2018

	Shares	Value
Common Stocks – (continued)		
Health Care Providers & Services – 0.6%		
Henry Schein Inc*	100,631	\$7,309,836
Health Care Technology – 1.6%		
athenahealth Inc*	124,917	19,879,291
Hotels, Restaurants & Leisure – 2.3%		
Dunkin' Brands Group Inc	245,287	16,941,973
Norwegian Cruise Line Holdings Ltd*	248,128	11,724,048
		28,666,021
Industrial Conglomerates – 1.1%		
Carlisle Cos Inc	123,208	13,344,658
Information Technology Services – 9.2%		
Amdocs Ltd	284,522	18,832,511
Broadridge Financial Solutions Inc	92,431	10,638,808
Euronet Worldwide Inc*	45,657	3,824,687
Fidelity National Information Services Inc	149,756	15,878,629
Gartner Inc*	92,940	12,351,726
Global Payments Inc	165,657	18,469,099
Jack Henry & Associates Inc	62,610	8,161,840
WEX Inc*	138,445	26,371,004
		114,528,304
Insurance – 3.5%		
Aon PLC	145,017	19,891,982
Intact Financial Corp	175,172	12,426,618
WR Berkley Corp	156,561	11,336,582
		43,655,182
Internet & Direct Marketing Retail – 0.5%		
Wayfair Inc*	54,177	6,434,061
Life Sciences Tools & Services – 4.2%		
IQVIA Holdings Inc*	151,914	15,164,055
PerkinElmer Inc	286,676	20,993,283
Waters Corp*	83,766	16,216,260
		52,373,598
Machinery – 2.6%		
Middleby Corp*	79,613	8,313,189
Rexnord Corp*	561,124	16,306,263
Wabtec Corp/DE#	73,583	7,253,812
		31,873,264
Media – 0.8%		
Omnicom Group Inc	131,359	10,018,751
Oil, Gas & Consumable Fuels – 0.3%		
World Fuel Services Corp	178,144	3,635,919
Professional Services – 4.6%		
CoStar Group Inc*	53,172	21,940,362
IHS Markit Ltd*	184,414	9,513,918
Verisk Analytics Inc*	234,959	25,290,987
		56,745,267
Road & Rail – 0.9%		
Old Dominion Freight Line Inc	71,430	10,640,213
Semiconductor & Semiconductor Equipment – 7.8%		
KLA-Tencor Corp	152,971	15,684,117
Lam Research Corp	88,863	15,359,970
Microchip Technology Inc	296,293	26,947,848
ON Semiconductor Corp*	980,693	21,805,709
Xilinx Inc	271,663	17,728,727
		97,526,371
Software – 9.7%		
Atlassian Corp PLC*	349,128	21,827,483
Constellation Software Inc/Canada	36,314	28,165,796
Intuit Inc	41,602	8,499,497
Nice Ltd (ADR)*	246,748	25,605,040

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, 2018

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Software – (continued)		
SS&C Technologies Holdings Inc	477,363	\$24,775,140
Ultimate Software Group Inc*	47,946	12,336,985
		121,209,941
Specialty Retail – 1.1%		
Tractor Supply Co	82,500	6,310,425
Williams-Sonoma Inc	111,577	6,848,596
		13,159,021
Textiles, Apparel & Luxury Goods – 2.3%		
Carter's Inc	76,170	8,256,066
Gildan Activewear Inc	503,751	14,185,628
Lululemon Athletica Inc*	50,934	6,359,110
		28,800,804
Trading Companies & Distributors – 0.7%		
Ferguson PLC	102,952	8,352,378
Total Common Stocks (cost \$677,948,785)		1,184,160,848
Preferred Stocks – 0.1%		
Electronic Equipment, Instruments & Components – 0.1%		
Belden Inc, 6.7500%, 7/15/19 (cost \$1,200,000)	12,000	1,004,152
Investment Companies – 4.9%		
Investments Purchased with Cash Collateral from Securities Lending – 0.1%		
Janus Henderson Cash Collateral Fund LLC, 1.8237% ^{as, E}	731,825	731,825
Money Markets – 4.8%		
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{as, E}	59,710,161	59,710,161
Total Investment Companies (cost \$60,441,986)		60,441,986
Total Investments (total cost \$739,590,771) – 100.2%		1,245,606,986
Liabilities, net of Cash, Receivables and Other Assets – (0.2)%		(2,267,354)
Net Assets – 100%		\$1,243,339,632

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

<i>Country</i>	<i>Value</i>	<i>% of Investment Securities</i>
United States	\$1,099,483,635	88.3 %
Canada	67,667,179	5.4
Israel	25,605,040	2.1
Australia	21,827,483	1.7
Ireland	12,518,009	1.0
France	10,153,262	0.8
United Kingdom	8,352,378	0.7
Total	\$1,245,606,986	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, 2018

Schedules of Affiliated Investments – (% of Net Assets)

		<i>Dividend Income</i>		<i>Realized Gain/(Loss)</i>		<i>Change in Unrealized Appreciation/ Depreciation</i>		<i>Value at 6/30/18</i>
Investment Companies - 4.9%								
Investments Purchased with Cash Collateral from Securities Lending - 0.1%								
Janus Henderson Cash Collateral Fund LLC, 1.8237% ^{oo}	\$	28,883 ^A	\$	-	\$	-	\$	731,825
Money Markets - 4.8%								
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{oo}	\$	421,659	\$	-	\$	-	\$	59,710,161
Total Affiliated Investments - 4.9%	\$	450,542	\$	-	\$	-	\$	60,441,986

	<i>Share Balance at 12/31/17</i>	<i>Purchases</i>	<i>Sales</i>	<i>Share Balance at 6/30/18</i>
Investment Companies - 4.9%				
Investments Purchased with Cash Collateral from Securities Lending - 0.1%				
Janus Henderson Cash Collateral Fund LLC, 1.8237% ^{oo}	6,842,000	79,138,341	(85,248,516)	731,825
Money Markets - 4.8%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ^{oo}	61,393,542	77,890,619	(79,574,000)	59,710,161

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, 2018

Schedule of Forward Foreign Currency Exchange Contracts, Open

<i>Counterparty/ Foreign Currency</i>	<i>Settlement Date</i>	<i>Foreign Currency Amount (Sold)/ Purchased</i>	<i>USD Currency Amount (Sold)/ Purchased</i>	<i>Market Value and Unrealized Appreciation/ (Depreciation)</i>
Bank of America:				
Euro	7/12/18	(415,000)	\$ 485,517	\$ 558
Barclays Capital, Inc.:				
Canadian Dollar	7/19/18	(4,043,000)	3,110,574	33,910
Euro	7/19/18	(3,648,000)	4,311,389	45,960
				79,870
Citibank NA:				
Canadian Dollar	7/19/18	(3,351,000)	2,583,615	33,553
Euro	7/19/18	(3,843,000)	4,541,388	47,956
				81,509
Credit Suisse International:				
Canadian Dollar	7/26/18	(3,761,000)	2,897,533	35,015
HSBC Securities (USA), Inc.:				
Canadian Dollar	7/12/18	(4,428,000)	3,422,606	53,494
Euro	7/12/18	(2,161,000)	2,529,617	4,327
				57,821
JPMorgan Chase & Co.:				
Euro	7/19/18	(8,242,000)	9,747,752	110,783
Total			\$	365,556

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, 2018

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, 2018.

Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2018

	Currency Contracts
<i>Asset Derivatives:</i>	
Forward foreign currency exchange contracts	\$365,556

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, 2018.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2018

	Amount of Realized Gain/(Loss) Recognized on Derivatives
	Currency Contracts
Derivative	
Forward foreign currency exchange contracts	\$783,669

	Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives
	Currency Contracts
Derivative	
Forward foreign currency exchange contracts	\$850,615

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

Average Ending Monthly Market Value of Derivative Instruments During the Period Ended June 30, 2018

	Market Value
Forward foreign currency exchange contracts, sold	\$38,576,519

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

Janus Henderson VIT Enterprise Portfolio

Notes to Schedule of Investments and Other Information (unaudited)

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.

°° Rate shown is the 7-day yield as of June 30, 2018.

Loaned security; a portion of the security is on loan at June 30, 2018.

£ 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.

Δ 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, 2018. 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:						
<i>Common Stocks</i>						
Commercial Services & Supplies	\$	33,924,717	\$	10,153,262	\$	-
Insurance		31,228,564		12,426,618		-
Software		93,044,145		28,165,796		-
Trading Companies & Distributors		-		8,352,378		-
All Other		966,865,368		-		-
<i>Preferred Stocks</i>		-		1,004,152		-
<i>Investment Companies</i>		-		60,441,986		-
Total Investments in Securities	\$	1,125,062,794	\$	120,544,192	\$	-
Other Financial Instruments^(a):						
<i>Forward Foreign Currency Exchange Contracts</i>		-		365,556		-
Total Assets	\$	1,125,062,794	\$	120,909,748	\$	-

(a) Other financial instruments include forward foreign currency exchange, futures, written options, written swaptions, and swap contracts. Forward foreign currency exchange 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, 2018

Assets:		
Unaffiliated investments, at value ⁽¹⁾⁽²⁾	\$	1,185,165,000
Affiliated investments, at value ⁽³⁾		60,441,986
Forward foreign currency exchange contracts		365,556
Cash denominated in foreign currency ⁽⁴⁾		510,664
Closed foreign currency contracts		11,166
Non-interested Trustees' deferred compensation		26,067
Receivables:		
Portfolio shares sold		517,786
Dividends		269,111
Dividends from affiliates		83,124
Other assets		2,032
Total Assets		1,247,392,492
Liabilities:		
Due to custodian		1,622
Collateral for securities loaned (Note 3)		731,825
Payables:		
Portfolio shares repurchased		2,326,137
Advisory fees		689,973
12b-1 Distribution and shareholder servicing fees		132,114
Transfer agent fees and expenses		57,667
Non-interested Trustees' deferred compensation fees		26,067
Non-affiliated portfolio administration fees payable		20,124
Professional fees		12,827
Non-interested Trustees' fees and expenses		10,359
Affiliated portfolio administration fees payable		2,695
Custodian fees		1,176
Accrued expenses and other payables		40,274
Total Liabilities		4,052,860
Net Assets	\$	1,243,339,632
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	697,448,799
Undistributed net investment income/(loss)		362,761
Undistributed net realized gain/(loss) from investments and foreign currency transactions		39,144,619
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		506,383,453
Total Net Assets	\$	1,243,339,632
Net Assets - Institutional Shares	\$	631,173,945
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		8,724,143
Net Asset Value Per Share	\$	72.35
Net Assets - Service Shares	\$	612,165,687
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		8,995,537
Net Asset Value Per Share	\$	68.05

(1) Includes cost of \$679,148,785.

(2) Includes \$716,495 of securities on loan. See Note 3 in Notes to Financial Statements.

(3) Includes cost of \$60,441,986.

(4) Includes cost of \$510,664.

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio

Statement of Operations (unaudited)

For the period ended June 30, 2018

Investment Income:		
Dividends	\$	5,933,776
Dividends from affiliates		421,659
Affiliated securities lending income, net		28,883
Other income		58
Foreign tax withheld		(124,130)
Total Investment Income		6,260,246
Expenses:		
Advisory fees		3,909,951
12b-1 Distribution and shareholder servicing fees:		
Service Shares		731,615
Transfer agent administrative fees and expenses:		
Institutional Shares		159,142
Service Shares		146,323
Other transfer agent fees and expenses:		
Institutional Shares		10,897
Service Shares		5,422
Shareholder reports expense		35,646
Affiliated portfolio administration fees		28,139
Professional fees		23,319
Non-interested Trustees' fees and expenses		20,225
Non-affiliated portfolio administration fees		20,125
Custodian fees		13,727
Registration fees		5,535
Other expenses		22,332
Total Expenses		5,132,398
Net Investment Income/(Loss)		1,127,848
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		38,057,652
Forward foreign currency exchange contracts		783,669
Total Net Realized Gain/(Loss) on Investments		38,841,321
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		44,880,510
Forward foreign currency exchange contracts		850,615
Total Change in Unrealized Net Appreciation/Depreciation		45,731,125
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$	85,700,294

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio

Statements of Changes in Net Assets

	Period ended June 30, 2018 (unaudited)		Year ended December 31, 2017	
Operations:				
Net investment income/(loss)	\$	1,127,848	\$	542,211
Net realized gain/(loss) on investments		38,841,321		59,654,236
Change in unrealized net appreciation/depreciation		45,731,125		188,738,865
Net Increase/(Decrease) in Net Assets Resulting from Operations		85,700,294		248,935,312
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(1,121,329)		(1,431,060)
Service Shares		(606,279)		(715,202)
Total Dividends from Net Investment Income		(1,727,608)		(2,146,262)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(28,970,746)		(35,399,828)
Service Shares		(29,974,508)		(32,692,941)
Total Distributions from Net Realized Gain from Investment Transactions		(58,945,254)		(68,092,769)
Net Decrease from Dividends and Distributions to Shareholders		(60,672,862)		(70,239,031)
Capital Share Transactions:				
Institutional Shares		(2,831,416)		63,180,886
Service Shares		46,843,729		53,921,594
Net Increase/(Decrease) from Capital Share Transactions		44,012,313		117,102,480
Net Increase/(Decrease) in Net Assets		69,039,745		295,798,761
Net Assets:				
Beginning of period		1,174,299,887		878,501,126
End of period	\$	1,243,339,632	\$	1,174,299,887
Undistributed Net Investment Income/(Loss)	\$	362,761	\$	962,521

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio

Financial Highlights

Institutional Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$70.65	\$59.27	\$57.33	\$61.75	\$58.96	\$44.77
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.11 ⁽¹⁾	0.11 ⁽¹⁾	0.28 ⁽¹⁾	0.27 ⁽¹⁾	0.27 ⁽¹⁾	0.22
Net realized and unrealized gain/(loss)	5.23	15.67	6.50	2.55	6.79	14.23
Total from Investment Operations	5.34	15.78	6.78	2.82	7.06	14.45
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.14)	(0.17)	(0.09)	(0.40)	(0.10)	(0.26)
Distributions (from capital gains)	(3.50)	(4.23)	(4.75)	(6.84)	(4.17)	—
Total Dividends and Distributions	(3.64)	(4.40)	(4.84)	(7.24)	(4.27)	(0.26)
Net Asset Value, End of Period	\$72.35	\$70.65	\$59.27	\$57.33	\$61.75	\$58.96
Total Return*	7.44%	27.42%	12.36%	4.05%	12.50%	32.38%
Net Assets, End of Period (in thousands)	\$631,174	\$618,750	\$459,250	\$418,158	\$417,895	\$407,049
Average Net Assets for the Period (in thousands)	\$641,816	\$556,940	\$435,190	\$427,941	\$402,634	\$373,893
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.72%	0.73%	0.72%	0.68%	0.68%	0.69%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.72%	0.73%	0.72%	0.68%	0.68%	0.69%
Ratio of Net Investment Income/(Loss)	0.30%	0.17%	0.48%	0.44%	0.45%	0.28%
Portfolio Turnover Rate	6%	14%	20%	22%	16%	15%

Service Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$66.67	\$56.22	\$54.67	\$59.26	\$56.80	\$43.18
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.02 ⁽¹⁾	(0.05) ⁽¹⁾	0.12 ⁽¹⁾	0.11 ⁽¹⁾	0.12 ⁽¹⁾	(0.03)
Net realized and unrealized gain/(loss)	4.93	14.82	6.19	2.45	6.53	13.83
Total from Investment Operations	4.95	14.77	6.31	2.56	6.65	13.80
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.07)	(0.09)	(0.01)	(0.31)	(0.02)	(0.18)
Distributions (from capital gains)	(3.50)	(4.23)	(4.75)	(6.84)	(4.17)	—
Total Dividends and Distributions	(3.57)	(4.32)	(4.76)	(7.15)	(4.19)	(0.18)
Net Asset Value, End of Period	\$68.05	\$66.67	\$56.22	\$54.67	\$59.26	\$56.80
Total Return*	7.31%	27.09%	12.10%	3.77%	12.24%	32.04%
Net Assets, End of Period (in thousands)	\$612,166	\$555,550	\$419,251	\$321,482	\$278,240	\$260,670
Average Net Assets for the Period (in thousands)	\$589,853	\$489,237	\$373,400	\$299,393	\$262,698	\$234,925
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.97%	0.98%	0.97%	0.94%	0.93%	0.94%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.97%	0.98%	0.97%	0.94%	0.93%	0.94%
Ratio of Net Investment Income/(Loss)	0.06%	(0.08)%	0.22%	0.19%	0.20%	0.03%
Portfolio Turnover Rate	6%	14%	20%	22%	16%	15%

* Total return not annualized for periods of less than one full year and does not include fees, charges, or expenses imposed by the variable annuity and life insurance contracts for which Janus Aspen Series serves as an underlying investment vehicle.

** 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.

Janus Henderson VIT Enterprise Portfolio

Notes to Financial Statements (unaudited)

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 11 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

Janus Henderson VIT Enterprise Portfolio

Notes to Financial Statements (unaudited)

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, 2018 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.

Janus Henderson VIT Enterprise Portfolio

Notes to Financial Statements (unaudited)

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.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Currently, Management does not believe the bill will have a material impact on the Fund's intention to continue to qualify as a regulated investment company, which is generally not subject to U.S. federal income tax.

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, 2018 is discussed in further detail below. A summary of derivative activity by the Fund is reflected in the tables at the end of the Schedule of Investments.

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

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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. Additionally, the Fund may deposit cash and/or treasuries as collateral with the counterparty and/or custodian daily (based on the daily valuation of the financial asset) if the Fund has a net aggregate unrealized loss on OTC derivative contracts with a particular counterparty. All liquid securities and restricted cash are considered to cover in an amount at all times equal to or greater than the Fund's commitment with respect to certain exchange-traded derivatives, centrally cleared derivatives, forward foreign currency exchange contracts, short sales,

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and/or securities with extended settlement dates. 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 non-hedging 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.

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

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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 the "Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2018" table located in the Portfolio's Schedule of Investments.

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Offsetting of Financial Assets and Derivative Assets

Counterparty	Gross Amounts of Recognized Assets		Offsetting Asset or Liability ^(a)		Collateral Pledged ^(b)		Net Amount
Bank of America	\$	558	\$	—	\$	—	558
Barclays Capital, Inc.		79,870		—		—	79,870
Citibank NA		81,509		—		—	81,509
Credit Suisse International		35,015		—		—	35,015
Deutsche Bank AG		716,495		—		(716,495)	—
HSBC Securities (USA), Inc.		57,821		—		—	57,821
JPMorgan Chase & Co.		110,783		—		—	110,783
Total	\$	1,082,051	\$	—	\$	(716,495)	365,556

(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 Henderson 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 generally does not exchange collateral on its forward foreign currency contracts with its counterparties; however, all liquid securities and restricted cash are considered to cover in an amount at all times equal to or greater than the Portfolio's commitment with respect to these contracts. Certain securities may be segregated at the Portfolio's custodian. These segregated securities are denoted on the accompanying Schedule of Investments and are evaluated daily to ensure their cover and/or market value equals or exceeds the Portfolio's corresponding forward foreign currency exchange contract's obligation value.

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 certain qualified broker-dealers and institutions. 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. 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,

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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 Henderson Cash Collateral Fund LLC. An investment in Janus Henderson 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 Henderson 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 Henderson Cash Collateral Fund LLC. Additionally, Janus Capital receives an investment advisory fee of 0.05% for managing Janus Henderson 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, 2018, securities lending transactions accounted for as secured borrowings with an overnight and continuous contractual maturity are \$716,495 for equity securities. Gross amounts of recognized liabilities for securities lending (collateral received) as of June 30, 2018 is \$731,825, resulting in the net amount due to the counterparty of \$15,330.

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. 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

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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 serves as administrator to the Portfolio pursuant to an administration agreement between Janus Capital and the Trust. Under the administration agreement, Janus Capital provides oversight and coordination of the Portfolio's service providers, recordkeeping, and other administrative services, and is reimbursed by the Portfolio for certain of its costs in providing these 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 pays for some or all of the salaries, fees, and expenses of 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 (or any subadvisor, as applicable) provides to the Portfolio. These amounts are disclosed as "Affiliated Portfolio administration fees" on the Statement of Operations. In addition, some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and certain compliance staff, all of whom are employees of Janus Capital and/or its affiliates, are shared with the Portfolio. Total compensation of \$20,480 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2018. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

Effective April 1, 2018, BNP Paribas Financial Services ("BPFS") provides certain administrative services to the Portfolio, including services related to Portfolio accounting, calculation of the Portfolio's daily NAV, and Portfolio audit, tax, and reporting obligations, pursuant to a sub-administration agreement with Janus Capital on behalf of the Portfolio. As compensation for such services, Janus Capital pays BPFS a fee based on a percentage of the Portfolio's assets, along with a flat fee, and is reimbursed by the Portfolio for amounts paid to BPFS (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These amounts are disclosed as "Non-affiliated portfolio administration fees" 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, 2018 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, 2018 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 \$260,650 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2018.

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 Henderson Cash Liquidity Fund LLC is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income

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securities. Janus Henderson 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 Henderson Cash Liquidity Fund LLC at will, and there are no unfunded capital commitments due from the Portfolio to Janus Henderson Cash Liquidity Fund LLC. The units of Janus Henderson 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, 2018 can be found in the "Schedules of Affiliated Investments" located in the Schedule of Investments.

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, 2018 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ 739,758,866	\$517,280,553	\$(11,432,433)	\$ 505,848,120

Information on the tax components of derivatives as of June 30, 2018 is as follows:

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ -	\$ 365,556	\$ -	\$ 365,556

Tax cost of investments and unrealized appreciation/(depreciation) may also include timing differences that do not constitute adjustments to tax basis.

6. Capital Share Transactions

	<i>Period ended June 30, 2018</i>		<i>Year ended December 31, 2017</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	555,163	\$41,231,220	1,890,480	\$121,760,466
Reinvested dividends and distributions	406,375	30,092,075	576,744	36,830,888
Shares repurchased	(995,439)	(74,154,711)	(1,457,793)	(95,410,468)
Net Increase/(Decrease)	(33,901)	\$(2,831,416)	1,009,431	\$ 63,180,886
Service Shares:				
Shares sold	1,190,023	\$84,088,561	2,014,812	\$125,011,366
Reinvested dividends and distributions	439,064	30,580,787	553,573	33,408,143
Shares repurchased	(965,811)	(67,825,619)	(1,693,457)	(104,497,915)
Net Increase/(Decrease)	663,276	\$46,843,729	874,928	\$ 53,921,594

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7. Purchases and Sales of Investment Securities

For the period ended June 30, 2018, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, TBAs, and in-kind transactions, as applicable) was as follows:

<i>Purchases of Securities</i>	<i>Proceeds from Sales of Securities</i>	<i>Purchases of Long-Term U.S. Government Obligations</i>	<i>Proceeds from Sales of Long-Term U.S. Government Obligations</i>
\$74,626,234	\$ 86,421,732	\$ -	\$ -

8. Recent Accounting Pronouncements

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. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2018 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.

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Additional Information (unaudited)

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (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>.

Full Holdings

The Portfolio is required to disclose its complete holdings on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are 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) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free). Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

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 14 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 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 closed 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 prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 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, 2018 through February 1, 2019, 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

Janus Henderson VIT Enterprise Portfolio

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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, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

- For Janus Henderson Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Long/Short Equity Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's

Janus Henderson VIT Enterprise Portfolio

Additional Information (unaudited)

underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Emerging Markets Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.

Janus Henderson VIT Enterprise Portfolio

Additional Information (unaudited)

- For Janus Henderson European Focus Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Equity Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Global Select Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson International Opportunities Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson International Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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Additional Information (unaudited)

Money Market Funds

- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Contrarian Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Enterprise Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Forty Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for

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the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

- For Janus Henderson Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital and Intech had taken or were taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Intech had taken or were taking to improve performance.
- For Janus Henderson U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

U.S. Equity Funds

- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Select Value Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

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Additional Information (unaudited)

- For Janus Henderson Forty Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Research Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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 Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

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.

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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 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% 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 clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (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; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

The Trustees considered the fees for each Fund for its fiscal year ended in 2016, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Alternative Funds

- For Janus Henderson Diversified Alternatives 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 International Long/Short 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 effective June 5, 2017.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, 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

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Additional Information (unaudited)

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, 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, 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.

Fixed-Income Funds

- For Janus Henderson 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, 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, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 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, 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 Real Return 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 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 waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic 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 effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity 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 Emerging Markets 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 effective June 5, 2017.
- For Janus Henderson European Focus 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

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Additional Information (unaudited)

Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson 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, the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 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, 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 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 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 International Opportunities 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 effective June 5, 2017.
- For Janus Henderson International Small Cap 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 effective June 5, 2017.
- For Janus Henderson 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 Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government 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.
- For Janus Henderson 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.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation 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 All Asset 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

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Additional Information (unaudited)

also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.

- For Janus Henderson Dividend & Income Builder 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 effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced 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 Contrarian 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 Enterprise 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 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, 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, the Trustees noted that, although the Fund's total expenses were equal to or 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 effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities 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 effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility 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.

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Additional Information (unaudited)

- For Janus Henderson 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, 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, 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.

U.S. Equity Funds

- For Janus Henderson Large 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 Mid 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 Select Value Fund, the Trustees noted that the Fund's total expenses were below the peer group averages for all share classes.
- For Janus Henderson Small Cap Value 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.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, 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.
- For Janus Henderson Enterprise Portfolio, 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.
- For Janus Henderson Flexible Bond Portfolio, 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 Portfolio, 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.
- For Janus Henderson Global Allocation Portfolio - 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.
- For Janus Henderson 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, 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, 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 Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.

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Additional Information (unaudited)

- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson 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.

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that 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. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were 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's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provided to each Fund. The Trustees also considered such estimated profitability taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Fund is necessarily a product of the allocation methodology utilized by Janus Capital to allocate its expenses as part of the estimated profitability calculation. In this regard, the Trustees noted that the independent fee consultant concluded that (1) the expense allocation methodology utilized by Janus Capital was reasonable and (2) the estimated profitability to Janus Capital from the investment management services it provided to each Fund was reasonable, including after taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. The Trustees also considered that the estimated profitability for an individual Fund was influenced by a number of factors, including not only the allocation methodology selected, but also the presence of fee waivers and expense caps, and whether the Fund's investment management agreement contained breakpoints or a performance fee component. The Trustees determined, after taking into account these factors, among others, that Janus Capital's estimated profitability with respect to each Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Funds was not a material factor in the Board's approval of the reasonableness of any Fund's investment management fees.

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 or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus

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Additional Information (unaudited)

Capital, Janus Capital is subsidizing certain of these 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 it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. 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.

January 2017

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

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Additional Information (unaudited)

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

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Additional Information (unaudited)

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.

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Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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 Henderson Overseas Fund (formerly, Janus 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.

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Additional Information (unaudited)

- 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

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Additional Information (unaudited)

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

Janus Henderson VIT Enterprise Portfolio

Additional Information (unaudited)

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.

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Additional Information (unaudited)

- 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

Janus Henderson VIT Enterprise Portfolio

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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.

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- 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

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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

Janus Henderson VIT Enterprise Portfolio

Additional Information (unaudited)

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 Enterprise Portfolio

Useful Information About Your Portfolio Report (unaudited)

Management Commentary

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

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

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2018. 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

Janus Henderson VIT Enterprise Portfolio

Useful Information About Your Portfolio Report (unaudited)

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 Notes

Janus Henderson VIT Enterprise 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.

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Janus Henderson VIT 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 (unaudited)

PORTFOLIO SNAPSHOT

By investing in the best ideas from each global research sector team, this global large-cap growth portfolio seeks long-term growth of capital with volatility similar to its peers. Our analysts scour the globe to identify industry-leading companies with brand power, enduring business models and strong competitive positioning.

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

PERFORMANCE OVERVIEW

Janus Henderson VIT Global Research Portfolio's Institutional Shares and Service Shares returned 2.57% and 2.45%, respectively, over the six-month period ended June 30, 2018, while its primary benchmark, the MSCI World IndexSM, and its secondary benchmark, the MSCI All Country World IndexSM, returned 0.43% and -0.43%, respectively.

MARKET ENVIRONMENT

Volatility returned to global equities markets. Weighing on investor confidence were concerns that the Federal Reserve (Fed) may increase interest rates at a faster pace than previously projected. Global trade tensions were also a source of volatility. Despite these worries, the MSCI World Index notched modest gains during the period. Technology and energy were the highest-returning sectors within the index.

PERFORMANCE DISCUSSION

While we aim to outperform over shorter periods, our goal is to provide consistent outperformance long term by focusing on what we consider our strength: picking stocks and avoiding macroeconomic risks. Stocks are selected by our six global sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best global opportunities.

This period, our stock selection in the financial and energy sectors were large contributors to relative performance. Within the financial sector, Mastercard was a large contributor. The company has strung together several quarters of strong revenue and earnings growth, validating its long-term potential. Mastercard is a longtime holding in the Portfolio, and the secular tailwinds and competitive advantages underpinning our investment thesis remain unchanged. Our long-term view is that there are network effects buttressing established payments businesses such as Mastercard, and that the company is poised to benefit as consumers and businesses switch from cash

and check to plastic and electronic payments. Mastercard is particularly well positioned to benefit from this shift because a majority of its revenues are generated outside the U.S., where many markets have a lower penetration of card and electronic payments and are experiencing significantly faster electronic purchase volume growth.

On an absolute basis, Amazon was our largest contributor. Acceleration of its cloud business and continued margin improvement for its core retail business helped drive the stock. Potential for Amazon to leverage its platform to expand into new industries has also driven the stock higher in recent months. Amazon is a longtime holding in our Portfolio and our views on the company remain the same: The company's scale and distribution advantage have entrenched it as the dominant e-commerce platform, which should allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, Amazon Web Services is revolutionizing the way companies utilize IT services, using its scale to offer a disruptive pricing model to businesses seeking IT functions in the cloud.

Adobe was another top contributor. Stock of the software maker rose midway through the first quarter due, in part, to bullish comments from management. The company believes its Creative Cloud suite should benefit from both pricing and new subscriber growth. As many of these new customers will be channeled through the company's website, the incremental operating margin should be significant, in our view. Similarly, any price increases should fall straight to the bottom line. Management also stated that it sees a long runway for growth, as the digitalization of the economy is just ramping up.

While pleased with the results of many stocks in our Portfolio, we still had holdings that detracted from performance. Stock selection in the health care sector detracted from relative results. Nektar Therapeutics was our largest detractor within the sector. Shares of the biotech company fell after a clinical trial update on the

Janus Henderson VIT Global Research Portfolio (unaudited)

company's experimental immuno-oncology treatment, NKTR-214, showed melanoma and renal cell cancer patients did not respond as well to the drug as seen in earlier cohorts of patients. While the results were a setback, we believe that on further follow-up with larger numbers of patients there will be shown to be a benefit from the therapy. We still see exciting potential for NKTR-214 to be used in regimens to fight multiple types of cancer, and also like other treatments in the company's pipeline.

Outside the health care sector, British American Tobacco was a large detractor. The company, and the tobacco sector as a whole, has been weak since the FDA's announcement it intends to begin a consultation to seek to reduce the nicotine levels in combustible cigarettes. A combination of rising bond yields impacting tobacco as a bond proxy sector and some weakness of the U.S. Dollar have also affected the stock. Another factor weighing on the stock is uncertainty regarding growth, as the marketplace fragments from one dominated by combustible cigarettes to one in which a series of potential next generation products including vaping and heated tobacco exists. We continue to like the company, however, believing that British American Tobacco has the most complete Next Generation Product line up, with a broad range of heated tobacco and vapor products. We believe that these will be an important growth category for the firm in 2018 and beyond. British American continued to earn high returns on invested capital, and we believe it is poised to generate steady profit growth as well as an attractive dividend yield.

Parker Hannifin was another detractor. Although the industrial manufacturer reported strong growth in orders during the first quarter, the stock fell after North American profit margins disappointed versus high expectations. We believe the main causes were product mix and inefficiencies caused by plant closures, a result of the integration of Clarcor, which Parker acquired in 2016. We believe these headwinds are temporary and set up for better incremental margins in 2019. Parker's organic growth is encouraging, and management expects that the company will deliver record sales in fiscal year 2018. Further, Parker is focused on reducing costs and optimizing performance, which, along with a lower U.S. corporate tax rate, should boost earnings.

OUTLOOK

In recent months, global trade tensions have come to dominate equity markets. We believe these tensions now

pose the greatest risk to stocks, especially if a trade war causes consumer and corporate confidence to wane. Indeed, individuals and companies are unlikely to spend if growth – supported by integrated supply chains and access to global markets – falters.

So far, though, our analysts report that most firms seem undeterred by potential trade restrictions and continue to invest. We also see a healthy number of mergers and acquisitions, and retail sales have been robust. Given this behavior, we believe the economy remains on sound footing. We also think tariffs, if and when they are applied, will not be so severe that they lead to a debilitating trade war. After all, it would be counterproductive for the Trump administration to upset global economic growth or to sap the strength of the U.S. technology sector.

With that in mind, we think valuations look attractive. Large-cap stocks, in particular, have an average price-to-earnings (P/E) ratio of 16 to 17. Such P/Es are undemanding in light of continued strength in corporate earnings, still-unrealized savings from tax reform and historically low interest rates. Multiples for small- and mid-cap stocks have pushed higher, but these market caps benefit from a larger universe of stocks, allowing us to be selective.

We believe attractive valuations and solid earnings will help offset higher long-term rates, should they materialize. Therefore, our base case remains: Although we don't expect multiples to expand, we think stocks can deliver positive returns on underlying earnings growth. That leads us to favor growth stocks across most sectors, with a long-term bias toward growth sectors in health care and technology. Trade tensions may make headlines, but fundamentals drive our confidence.

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, 2018

5 Top Performers - Holdings

	Contribution		Contribution
Amazon.com Inc	0.75%	British American Tobacco PLC	-0.38%
Adobe Systems Inc	0.44%	Parker-Hannifin Corp	-0.32%
Mastercard Inc	0.41%	Nektar Therapeutics	-0.28%
salesforce.com Inc	0.37%	Shin-Etsu Chemical Co Ltd	-0.24%
Safran SA	0.33%	Mitsubishi UFJ Financial Group Inc	-0.23%

5 Bottom Performers - Holdings

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Financials	1.08%	21.94%	22.06%
Energy	0.43%	9.30%	9.18%
Technology	0.31%	19.22%	19.46%
Industrials	0.25%	19.39%	19.43%
Consumer	0.13%	17.51%	17.76%

2 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Health Care	-0.08%	12.07%	12.10%
Other**	-0.04%	0.57%	0.01%

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, 2018

5 Largest Equity Holdings - (% of Net Assets)

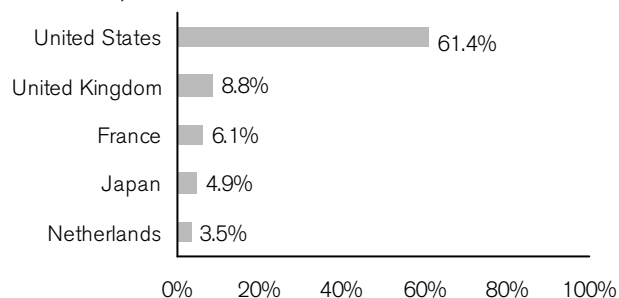
Alphabet Inc	
Internet Software & Services	2.8%
Amazon.com Inc	
Internet & Direct Marketing Retail	2.6%
Coca-Cola Co	
Beverages	2.0%
Safran SA	
Aerospace & Defense	1.9%
JPMorgan Chase & Co	
Banks	1.9%
	11.2%

Asset Allocation - (% of Net Assets)

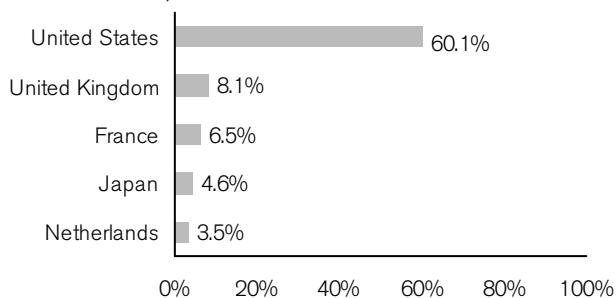
Common Stocks	99.0%
Investment Companies	0.8%
Other	0.2%
	100.0%
Emerging markets comprised 6.1% of total net assets.	

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

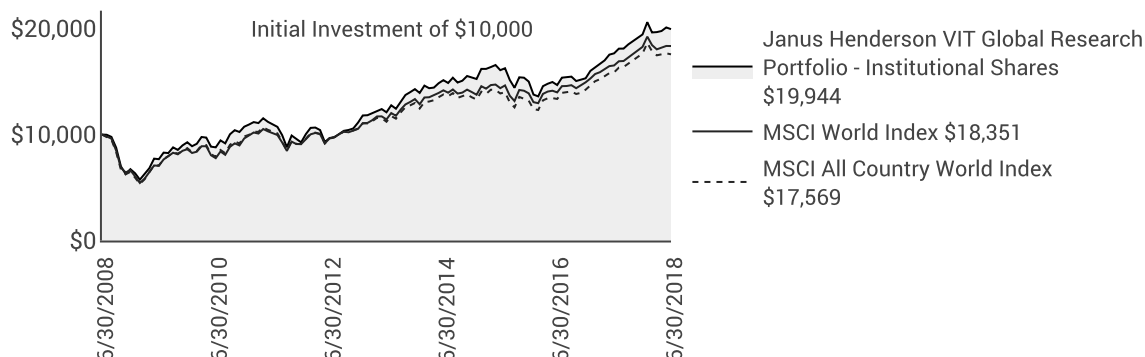
As of June 30, 2018



As of December 31, 2017



Janus Henderson VIT Global Research Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2018						Expense Ratios - per the April 30, 2018 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	2.57%	12.92%	10.51%	7.15%	8.36%	0.64%
Service Shares	2.45%	12.64%	10.24%	6.88%	8.08%	0.89%
MSCI World Index	0.43%	11.09%	9.94%	6.26%	7.05%	
MSCI All Country World Index	-0.43%	10.73%	9.41%	5.80%	N/A**	
Morningstar Quartile - Institutional Shares	-	2nd	2nd	2nd	2nd	
Morningstar Ranking - based on total returns for World Large Stock Funds	-	251/895	202/708	143/508	65/152	

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 800.668.0434 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.

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

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.

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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/fundalyzer.

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 (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Beginning Account Value (1/1/18)	Ending Account Value (6/30/18)	Expenses Paid During Period (1/1/18 - 6/30/18) [†]	Net Annualized Expense Ratio (1/1/18 - 6/30/18)
Institutional Shares	\$1,000.00	\$1,025.70	\$2.86	\$1,000.00	\$1,021.97	\$2.86	0.57%
Service Shares	\$1,000.00	\$1,024.50	\$4.12	\$1,000.00	\$1,020.73	\$4.11	0.82%

[†] 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, 2018

	Shares	Value
Common Stocks – 99.0%		
Aerospace & Defense – 3.4%		
Boeing Co	10,121	\$3,395,697
L3 Technologies Inc	37,615	7,234,117
Safran SA	116,773	14,164,302
		24,794,116
Airlines – 1.6%		
Ryanair Holdings PLC (ADR)*	58,328	6,662,807
United Continental Holdings Inc*	77,706	5,418,439
		12,081,246
Automobiles – 0.9%		
Isuzu Motors Ltd	485,300	6,437,702
Banks – 8.2%		
BNP Paribas SA	92,427	5,728,583
CaixaBank SA	1,115,805	4,819,622
China Construction Bank Corp	5,941,000	5,447,876
HDFC Bank Ltd*	291,882	9,111,483
ING Groep NV	368,922	5,293,357
JPMorgan Chase & Co	131,442	13,696,256
Mitsubishi UFJ Financial Group Inc	933,700	5,296,456
Wells Fargo & Co	201,739	11,184,410
		60,578,043
Beverages – 4.1%		
Coca-Cola Co	339,604	14,895,031
Monster Beverage Corp*	111,523	6,390,268
Pernod Ricard SA	55,095	8,991,603
		30,276,902
Biotechnology – 3.6%		
Biogen Inc*	25,684	7,454,524
Celgene Corp*	48,755	3,872,122
Neurocrine Biosciences Inc*	64,740	6,360,058
Shire PLC	159,494	8,967,900
		26,654,604
Capital Markets – 4.0%		
Blackstone Group LP	174,814	5,623,766
Intercontinental Exchange Inc	94,671	6,963,052
London Stock Exchange Group PLC	103,535	6,098,819
TD Ameritrade Holding Corp	135,607	7,427,195
UBS Group AG*	233,520	3,594,174
		29,707,006
Chemicals – 1.9%		
Air Products & Chemicals Inc	46,390	7,224,315
Shin-Etsu Chemical Co Ltd	77,400	6,867,074
		14,091,389
Construction Materials – 0.7%		
Vulcan Materials Co	41,216	5,319,337
Consumer Finance – 1.0%		
Synchrony Financial	228,565	7,629,500
Containers & Packaging – 0.3%		
Sealed Air Corp	48,956	2,078,182
Electrical Equipment – 0.8%		
Sensata Technologies Holding PLC*	118,137	5,620,958
Electronic Equipment, Instruments & Components – 1.9%		
Amphenol Corp	41,152	3,586,397
Flex Ltd*	320,665	4,524,583
Keyence Corp	10,900	6,148,285
		14,259,265
Energy Equipment & Services – 0.7%		
Halliburton Co	110,057	4,959,168

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, 2018

	Shares	Value
Common Stocks – (continued)		
Equity Real Estate Investment Trusts (REITs) – 2.0%		
American Tower Corp	36,303	\$5,233,804
Equinix Inc	10,880	4,677,203
Invitation Homes Inc	221,106	5,098,704
		15,009,711
Health Care Equipment & Supplies – 1.1%		
Boston Scientific Corp*	239,583	7,834,364
Health Care Providers & Services – 1.6%		
Humana Inc	20,784	6,185,942
UnitedHealth Group Inc	24,184	5,933,303
		12,119,245
Hotels, Restaurants & Leisure – 3.2%		
McDonald's Corp	50,479	7,909,555
Merlin Entertainments PLC	1,048,559	5,348,999
Norwegian Cruise Line Holdings Ltd*	82,954	3,919,577
Starbucks Corp	128,974	6,300,380
		23,478,511
Household Durables – 1.3%		
Sony Corp	99,300	5,095,378
Techtronic Industries Co Ltd	802,500	4,456,171
		9,551,549
Independent Power and Renewable Electricity Producers – 1.1%		
NRG Energy Inc	266,105	8,169,424
Industrial Conglomerates – 1.2%		
Siemens AG	64,892	8,574,733
Information Technology Services – 4.2%		
Amdocs Ltd	97,507	6,453,988
Mastercard Inc	65,108	12,795,024
Visa Inc	89,934	11,911,758
		31,160,770
Insurance – 3.1%		
AIA Group Ltd	1,126,800	9,755,221
Progressive Corp	144,535	8,549,245
Prudential PLC	190,898	4,360,960
		22,665,426
Internet & Direct Marketing Retail – 3.9%		
Amazon.com Inc*	11,325	19,250,235
Booking Holdings Inc*	3,146	6,377,225
Ctrip.com International Ltd (ADR)*	71,478	3,404,497
		29,031,957
Internet Software & Services – 4.1%		
Alibaba Group Holding Ltd (ADR)*	40,966	7,600,422
Alphabet Inc*	18,298	20,414,164
MercadoLibre Inc	8,620	2,576,777
		30,591,363
Life Sciences Tools & Services – 0.9%		
Thermo Fisher Scientific Inc	31,901	6,607,973
Machinery – 2.7%		
Illinois Tool Works Inc	48,021	6,652,829
Parker-Hannifin Corp	43,013	6,703,576
SMC Corp/Japan	17,000	6,222,505
		19,578,910
Media – 0.5%		
Grupo Televisa SAB (ADR)	208,920	3,959,034
Metals & Mining – 1.6%		
Rio Tinto PLC	121,068	6,676,004
Teck Resources Ltd	203,335	5,180,441
		11,856,445

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, 2018

	Shares	Value
Common Stocks – (continued)		
Multi-Utilities – 0.6%		
National Grid PLC	372,891	\$4,124,705
Oil, Gas & Consumable Fuels – 7.1%		
Anadarko Petroleum Corp	109,332	8,008,569
Cabot Oil & Gas Corp	196,393	4,674,153
Canadian Natural Resources Ltd	178,696	6,450,457
Enterprise Products Partners LP	315,494	8,729,719
Occidental Petroleum Corp	72,769	6,089,310
Suncor Energy Inc	248,885	10,129,591
TOTAL SA	143,158	8,704,928
		52,786,727
Personal Products – 2.7%		
Estee Lauder Cos Inc	62,983	8,987,044
Unilever NV	197,796	11,025,163
		20,012,207
Pharmaceuticals – 5.1%		
AstraZeneca PLC	125,122	8,661,234
Eli Lilly & Co	117,764	10,048,802
Jazz Pharmaceuticals PLC*	28,273	4,871,438
Mylan NV*	131,266	4,743,953
Nektar Therapeutics*	54,185	2,645,854
Sanofi	87,774	7,027,714
		37,998,995
Road & Rail – 1.0%		
Union Pacific Corp	50,646	7,175,525
Semiconductor & Semiconductor Equipment – 5.0%		
ASML Holding NV	47,851	9,436,464
Broadcom Inc	30,558	7,414,593
Microchip Technology Inc	51,008	4,639,178
Taiwan Semiconductor Manufacturing Co Ltd	1,099,000	7,820,669
Texas Instruments Inc	68,199	7,518,940
		36,829,844
Software – 6.6%		
Activision Blizzard Inc	118,769	9,064,450
Adobe Systems Inc*	45,223	11,025,820
Constellation Software Inc/Canada	4,037	3,131,170
salesforce.com Inc*	80,013	10,913,773
SS&C Technologies Holdings Inc	116,173	6,029,379
Ultimate Software Group Inc*	32,983	8,486,856
		48,651,448
Technology Hardware, Storage & Peripherals – 0.7%		
Samsung Electronics Co Ltd	126,450	5,280,515
Textiles, Apparel & Luxury Goods – 1.8%		
Cie Financiere Richemont SA	64,323	5,451,442
NIKE Inc	99,129	7,898,599
		13,350,041
Tobacco – 1.7%		
British American Tobacco PLC	244,279	12,334,755
Trading Companies & Distributors – 1.1%		
Ferguson PLC	98,519	7,992,734
Total Common Stocks (cost \$567,205,515)		731,214,329
Investment Companies – 0.8%		
Money Markets – 0.8%		
Janus Henderson Cash Liquidity Fund LLC, 1.8501% [∞] (cost \$5,764,000)	5,764,000	5,764,000
Total Investments (total cost \$572,969,515) – 99.8%		736,978,329
Cash, Receivables and Other Assets, net of Liabilities – 0.2%		1,499,054
Net Assets – 100%		\$738,477,383

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, 2018

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

<i>Country</i>	<i>Value</i>	<i>% of Investment Securities</i>
United States	\$452,565,603	61.4%
United Kingdom	64,566,110	8.8
France	44,617,130	6.1
Japan	36,067,400	4.9
Netherlands	25,754,984	3.5
Canada	24,891,659	3.4
China	16,452,795	2.2
Hong Kong	14,211,392	1.9
India	9,111,483	1.2
Switzerland	9,045,616	1.2
Germany	8,574,733	1.2
Taiwan	7,820,669	1.1
Ireland	6,662,807	0.9
South Korea	5,280,515	0.7
Spain	4,819,622	0.7
Mexico	3,959,034	0.5
Brazil	2,576,777	0.3
Total	\$736,978,329	100.0%

Schedules of Affiliated Investments – (% of Net Assets)

	<i>Dividend Income</i>	<i>Realized Gain/(Loss)</i>	<i>Change in Unrealized Appreciation/ Depreciation</i>	<i>Value at 6/30/18</i>
Investment Companies - 0.8%				
Investments Purchased with Cash Collateral from Securities Lending - N/A				
Janus Henderson Cash Collateral Fund LLC, 1.8237% ⁰⁰	\$ 9,819 ⁴	\$ -	\$ -	\$ -
Money Markets - 0.8%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% ⁰⁰	\$ 23,399	\$ -	\$ -	\$ 5,764,000
Total Affiliated Investments - 0.8%	\$ 33,218	\$ -	\$ -	\$ 5,764,000

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, 2018

	<i>Share Balance at 12/31/17</i>	<i>Purchases</i>	<i>Sales</i>	<i>Share Balance at 6/30/18</i>
Investment Companies - 0.8%				
Investments Purchased with Cash Collateral from Securities Lending - N/A				
Janus Henderson Cash Collateral Fund LLC, 1.8237% [∞]	-	146,296	(146,296)	-
Money Markets - 0.8%				
Janus Henderson Cash Liquidity Fund LLC, 1.8501% [∞]	5,533,376	58,098,782	(57,868,158)	5,764,000

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 IndexSM MSCI All Country World IndexSM reflects the equity market performance of global developed and emerging markets.

MSCI World IndexSM MSCI World IndexSM reflects the equity market performance of global developed markets.

ADR American Depositary Receipt

LLC Limited Liability Company

LP Limited Partnership

PLC Public Limited Company

* Non-income producing security.

°° Rate shown is the 7-day yield as of June 30, 2018.

£ 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.

Δ Net of income paid to the securities lending agent and rebates paid to the borrowing counterparties.

Janus Henderson VIT Global Research Portfolio

Notes to Schedule of Investments and Other Information (unaudited)

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of June 30, 2018. 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						
Aerospace & Defense	\$	10,629,814	\$	14,164,302	\$	-
Automobiles		-		6,437,702		-
Banks		24,880,666		35,697,377		-
Beverages		21,285,299		8,991,603		-
Biotechnology		17,686,704		8,967,900		-
Capital Markets		20,014,013		9,692,993		-
Chemicals		7,224,315		6,867,074		-
Electronic Equipment, Instruments & Components		8,110,980		6,148,285		-
Hotels, Restaurants & Leisure		18,129,512		5,348,999		-
Household Durables		-		9,551,549		-
Industrial Conglomerates		-		8,574,733		-
Insurance		8,549,245		14,116,181		-
Machinery		13,356,405		6,222,505		-
Metals & Mining		-		11,856,445		-
Multi-Utilities		-		4,124,705		-
Oil, Gas & Consumable Fuels		27,501,751		25,284,976		-
Personal Products		8,987,044		11,025,163		-
Pharmaceuticals		22,310,047		15,688,948		-
Semiconductor & Semiconductor Equipment		19,572,711		17,257,133		-
Software		45,520,278		3,131,170		-
Technology Hardware, Storage & Peripherals		-		5,280,515		-
Textiles, Apparel & Luxury Goods		7,898,599		5,451,442		-
Tobacco		-		12,334,755		-
Trading Companies & Distributors		-		7,992,734		-
All Other		189,347,757		-		-
Investment Companies		-		5,764,000		-
Total Assets	\$	471,005,140	\$	265,973,189	\$	-

Janus Henderson VIT Global Research Portfolio

Statement of Assets and Liabilities (unaudited)

June 30, 2018

Assets:		
Unaffiliated investments, at value ⁽¹⁾	\$	731,214,329
Affiliated investments, at value ⁽²⁾		5,764,000
Cash		459,510
Cash denominated in foreign currency ⁽³⁾		627,138
Non-interested Trustees' deferred compensation		15,467
Receivables:		
Dividends		1,048,575
Investments sold		693,730
Foreign tax reclaims		221,935
Portfolio shares sold		119,431
Dividends from affiliates		2,144
Other assets		2,205
Total Assets		740,168,464
Liabilities:		
Payables:		
Investments purchased		718,839
Portfolio shares repurchased		446,352
Advisory fees		324,685
12b-1 Distribution and shareholder servicing fees		44,368
Transfer agent fees and expenses		34,730
Non-interested Trustees' deferred compensation fees		15,467
Non-affiliated portfolio administration fees payable		15,110
Professional fees		12,450
Non-interested Trustees' fees and expenses		6,931
Custodian fees		1,654
Affiliated portfolio administration fees payable		1,600
Accrued expenses and other payables		68,895
Total Liabilities		1,691,081
Net Assets	\$	738,477,383
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	537,848,056
Undistributed net investment income/(loss)		2,814,239
Undistributed net realized gain/(loss) from investments and foreign currency transactions		33,814,470
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		164,000,618
Total Net Assets	\$	738,477,383
Net Assets - Institutional Shares	\$	533,146,706
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		10,217,719
Net Asset Value Per Share	\$	52.18
Net Assets - Service Shares	\$	205,330,677
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		4,017,493
Net Asset Value Per Share	\$	51.11

(1) Includes cost of \$567,205,515.

(2) Includes cost of \$5,764,000.

(3) Includes cost of \$627,132.

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio
Statement of Operations (unaudited)
For the period ended June 30, 2018

Investment Income:		
Dividends	\$	8,198,656
Dividends from affiliates		23,399
Affiliated securities lending income, net		9,819
Other income		13
Foreign tax withheld		(457,151)
Total Investment Income		7,774,736
Expenses:		
Advisory fees		1,814,454
12b-1 Distribution and shareholder servicing fees:		
Service Shares		261,543
Transfer agent administrative fees and expenses:		
Institutional Shares		135,537
Service Shares		52,309
Other transfer agent fees and expenses:		
Institutional Shares		9,489
Service Shares		2,054
Shareholder reports expense		28,108
Professional fees		23,686
Affiliated portfolio administration fees		17,247
Non-affiliated portfolio administration fees		15,113
Custodian fees		14,151
Non-interested Trustees' fees and expenses		12,834
Registration fees		8,805
Other expenses		17,838
Total Expenses		2,413,168
Net Investment Income/(Loss)		5,361,568
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		32,256,417
Total Net Realized Gain/(Loss) on Investments		32,256,417
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		(18,520,063)
Total Change in Unrealized Net Appreciation/Depreciation		(18,520,063)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$	19,097,922

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio

Statements of Changes in Net Assets

	Period ended June 30, 2018 (unaudited)		Year ended December 31, 2017	
Operations:				
Net investment income/(loss)	\$	5,361,568	\$	6,987,453
Net realized gain/(loss) on investments		32,256,417		52,208,742
Change in unrealized net appreciation/depreciation		(18,520,063)		108,153,941
Net Increase/(Decrease) in Net Assets Resulting from Operations		19,097,922		167,350,136
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(3,468,543)		(4,183,201)
Service Shares		(1,168,867)		(1,355,413)
Net Decrease from Dividends and Distributions to Shareholders		(4,637,410)		(5,538,614)
Capital Share Transactions:				
Institutional Shares		(17,922,639)		(45,745,135)
Service Shares		(8,972,533)		(13,600,457)
Net Increase/(Decrease) from Capital Share Transactions		(26,895,172)		(59,345,592)
Net Increase/(Decrease) in Net Assets		(12,434,660)		102,465,930
Net Assets:				
Beginning of period		750,912,043		648,446,113
End of period	\$	738,477,383	\$	750,912,043
Undistributed Net Investment Income/(Loss)	\$	2,814,239	\$	2,090,081

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, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$51.20	\$40.63	\$40.24	\$41.45	\$38.99	\$30.74
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.39 ⁽¹⁾	0.51 ⁽¹⁾	0.45 ⁽¹⁾	0.35 ⁽¹⁾	0.51 ⁽¹⁾	0.38
Net realized and unrealized gain/(loss)	0.93	10.45	0.37	(1.28)	2.39	8.29
Total from Investment Operations	1.32	10.96	0.82	(0.93)	2.90	8.67
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.34)	(0.39)	(0.43)	(0.28)	(0.44)	(0.42)
Distributions (from capital gains)	—	—	—	—	—	—
Total Dividends and Distributions	(0.34)	(0.39)	(0.43)	(0.28)	(0.44)	(0.42)
Net Asset Value, End of Period	\$52.18	\$51.20	\$40.63	\$40.24	\$41.45	\$38.99
Total Return*	2.57%	27.03%	2.07%	(2.29)%	7.44%	28.43%
Net Assets, End of Period (in thousands)	\$533,147	\$540,594	\$469,321	\$509,494	\$571,145	\$588,619
Average Net Assets for the Period (in thousands)	\$546,706	\$512,287	\$478,402	\$560,660	\$577,941	\$550,131
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.57%	0.64%	0.65%	0.80%	0.61%	0.53%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.57%	0.64%	0.65%	0.80%	0.61%	0.53%
Ratio of Net Investment Income/(Loss)	1.50%	1.05%	1.15%	0.83%	1.27%	0.99%
Portfolio Turnover Rate	21%	41%	45%	50%	42%	101%

Service Shares

For a share outstanding during the period ended June 30, 2018 (unaudited) and each year ended

December 31	2018	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$50.17	\$39.87	\$39.53	\$40.77	\$38.40	\$30.31
Income/(Loss) from Investment Operations:						
Net investment income/(loss)	0.32 ⁽¹⁾	0.38 ⁽¹⁾	0.35 ⁽¹⁾	0.24 ⁽¹⁾	0.40 ⁽¹⁾	0.25
Net realized and unrealized gain/(loss)	0.91	10.24	0.36	(1.26)	2.35	8.22
Total from Investment Operations	1.23	10.62	0.71	(1.02)	2.75	8.47
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.29)	(0.32)	(0.37)	(0.22)	(0.38)	(0.38)
Distributions (from capital gains)	—	—	—	—	—	—
Total Dividends and Distributions	(0.29)	(0.32)	(0.37)	(0.22)	(0.38)	(0.38)
Net Asset Value, End of Period	\$51.11	\$50.17	\$39.87	\$39.53	\$40.77	\$38.40
Total Return*	2.45%	26.68%	1.82%	(2.53)%	7.18%	28.12%
Net Assets, End of Period (in thousands)	\$205,331	\$210,318	\$179,125	\$202,896	\$214,339	\$202,707
Average Net Assets for the Period (in thousands)	\$211,007	\$197,483	\$186,563	\$218,006	\$209,230	\$181,844
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.82%	0.89%	0.90%	1.05%	0.86%	0.78%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.82%	0.89%	0.90%	1.05%	0.86%	0.78%
Ratio of Net Investment Income/(Loss)	1.25%	0.81%	0.91%	0.57%	1.01%	0.75%
Portfolio Turnover Rate	21%	41%	45%	50%	42%	101%

* Total return not annualized for periods of less than one full year and does not include fees, charges, or expenses imposed by the variable annuity and life insurance contracts for which Janus Aspen Series serves as an underlying investment vehicle.

** 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.

Janus Henderson VIT Global Research Portfolio

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Janus Henderson VIT 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 11 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

Janus Henderson VIT Global Research Portfolio

Notes to Financial Statements (unaudited)

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, 2018 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.

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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.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Currently, Management does not believe the bill will have a material impact on the Fund's intention to continue to qualify as a regulated investment company, which is generally not subject to U.S. federal income tax.

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.

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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 Management LLC ("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.

Emerging Market Investing

Within the parameters of its specific investment policies, the Portfolio, to the extent that emerging markets may be included in its benchmark index, may invest in securities of issuers or companies from or with exposure to one or more

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“developing countries” or “emerging market countries.” To the extent that the Portfolio invests a significant amount of its assets in one or more of these countries, its returns and net asset value may be affected to a large degree by events and economic conditions in such countries. The risks of foreign investing are heightened when investing in emerging markets, which may result in the price of investments in emerging markets experiencing sudden and sharp price swings. In many developing markets, there is less government supervision and regulation of business and industry practices (including the potential lack of strict finance and accounting controls and standards), stock exchanges, brokers, and listed companies, making these investments potentially more volatile in price and less liquid than investments in developed securities markets, resulting in greater risk to investors. There is a risk in developing countries that a future economic or political crisis could lead to price controls, forced mergers of companies, expropriation or confiscatory taxation, imposition or enforcement of foreign ownership limits, seizure, nationalization, sanctions or imposition of restrictions by various governmental entities on investment and trading, or creation of government monopolies, any of which may have a detrimental effect on the Portfolio's investments. In addition, the Portfolio's investments may be denominated in foreign currencies and therefore, changes in the value of a country's currency compared to the U.S. dollar may affect the value of the Portfolio's investments. To the extent that the Portfolio invests a significant portion of its assets in the securities of issuers in or companies of a single country or region, it is more likely to be impacted by events or conditions affecting that country or region, which could have a negative impact on the Portfolio's performance.

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 certain qualified broker-dealers and institutions. 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. 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 Henderson Cash Collateral Fund LLC. An investment in Janus Henderson 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 Henderson 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 Henderson Cash Collateral Fund LLC. Additionally, Janus Capital receives an investment advisory fee of 0.05% for managing Janus Henderson 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.

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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, 2018.

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 IndexSM.

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, 2018, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.48%.

Janus Services LLC ("Janus Services"), a wholly-owned subsidiary of Janus Capital, is the Portfolio's transfer agent. 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

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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 serves as administrator to the Portfolio pursuant to an administration agreement between Janus Capital and the Trust. Under the administration agreement, Janus Capital provides oversight and coordination of the Portfolio's service providers, recordkeeping, and other administrative services, and is reimbursed by the Portfolio for certain of its costs in providing these 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 pays for some or all of the salaries, fees, and expenses of 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 (or any subadvisor, as applicable) provides to the Portfolio. These amounts are disclosed as "Affiliated Portfolio administration fees" on the Statement of Operations. In addition, some expenses related to compensation payable to the Portfolio's Chief Compliance Officer and certain compliance staff, all of whom are employees of Janus Capital and/or its affiliates, are shared with the Portfolio. Total compensation of \$20,480 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2018. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

Effective April 1, 2018, BNP Paribas Financial Services ("BPFS") provides certain administrative services to the Portfolio, including services related to Portfolio accounting, calculation of the Portfolio's daily NAV, and Portfolio audit, tax, and reporting obligations, pursuant to a sub-administration agreement with Janus Capital on behalf of the Portfolio. As compensation for such services, Janus Capital pays BPFS a fee based on a percentage of the Portfolio's assets, along with a flat fee, and is reimbursed by the Portfolio for amounts paid to BPFS (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These amounts are disclosed as "Non-affiliated portfolio administration fees" 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, 2018 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, 2018 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 \$260,650 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2018.

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 Henderson 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 Henderson 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 Henderson Cash Liquidity Fund LLC at will,

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and there are no unfunded capital commitments due from the Portfolio to Janus Henderson Cash Liquidity Fund LLC. The units of Janus Henderson 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, 2018 can be found in the "Schedules of Affiliated Investments" located in the Schedule of Investments.

The Portfolio is permitted to purchase or sell securities ("cross-trade") between itself and other funds or accounts managed by Janus Capital 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, 2018, the Portfolio engaged in cross trades amounting to \$417,245 in sales, resulting in a net realized loss of \$33,570. 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 aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2018 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ 574,438,012	\$180,943,421	\$(18,403,104)	\$ 162,540,317

5. Capital Share Transactions

	<i>Period ended June 30, 2018</i>		<i>Year ended December 31, 2017</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	158,580	\$ 8,390,534	343,247	\$ 16,011,323
Reinvested dividends and distributions	65,543	3,468,543	86,959	4,183,201
Shares repurchased	(565,016)	(29,781,716)	(1,421,581)	(65,939,659)
Net Increase/(Decrease)	(340,893)	\$(17,922,639)	(991,375)	\$(45,745,135)
Service Shares:				
Shares sold	199,300	\$ 10,292,296	320,167	\$ 14,570,741
Reinvested dividends and distributions	22,548	1,168,867	28,763	1,355,413
Shares repurchased	(396,282)	(20,433,696)	(650,117)	(29,526,611)
Net Increase/(Decrease)	(174,434)	\$ (8,972,533)	(301,187)	\$(13,600,457)

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6. Purchases and Sales of Investment Securities

For the period ended June 30, 2018, the aggregate cost of purchases and proceeds from sales of investment securities (excluding any short-term securities, short-term options contracts, TBAs, and in-kind transactions, as applicable) was as follows:

<i>Purchases of Securities</i>	<i>Proceeds from Sales of Securities</i>	<i>Purchases of Long- Term U.S. Government Obligations</i>	<i>Proceeds from Sales of Long-Term U.S. Government Obligations</i>
\$154,409,432	\$ 181,711,842	\$ -	\$ -

7. Recent Accounting Pronouncements

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. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2018 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.

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Additional Information (unaudited)

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (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>.

Full Holdings

The Portfolio is required to disclose its complete holdings on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are 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) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free). Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

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 14 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 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 closed 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 prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 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, 2018 through February 1, 2019, 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

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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, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

- For Janus Henderson Diversified Alternatives Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Long/Short Equity Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's

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underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Allocation Fund – Moderate, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Emerging Markets Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.

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- For Janus Henderson European Focus Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 Equity Income Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Life Sciences Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Global Select Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Technology Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson International Opportunities Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.
- For Janus Henderson International Value Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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Money Market Funds

- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. 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 Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Contrarian Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Enterprise Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Forty Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Research Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for

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the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.

- For Janus Henderson Venture Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital and Intech had taken or were taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson 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, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson International Managed Volatility Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital and Intech had taken or were taking to improve performance.
- For Janus Henderson U.S. Managed Volatility Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

U.S. Equity Funds

- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital and Perkins had taken or were taking to improve performance.
- For Janus Henderson Mid Cap Value Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Select Value Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.

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- For Janus Henderson Forty Portfolio, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. 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 Henderson Global Research Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and the Fund's limited performance history.
- For Janus Henderson Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also 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 Overseas Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson 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, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017.

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.

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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 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% 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 clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (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; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

The Trustees considered the fees for each Fund for its fiscal year ended in 2016, and noted the following with regard to each Fund's total expenses, net of applicable fee waivers (the Fund's "total expenses"):

Alternative Funds

- For Janus Henderson Diversified Alternatives 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 International Long/Short 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 effective June 5, 2017.

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, 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

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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, 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, 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.

Fixed-Income Funds

- For Janus Henderson 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, 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, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. 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 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, 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 Real Return 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 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 waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic 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 effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity 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 Emerging Markets 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 effective June 5, 2017.
- For Janus Henderson European Focus 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

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Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson 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, the Trustees noted that, although the Fund's total expenses exceeded the peer group average 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 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, 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 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 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 International Opportunities 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 effective June 5, 2017.
- For Janus Henderson International Small Cap 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 effective June 5, 2017.
- For Janus Henderson 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 Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government 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.
- For Janus Henderson 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.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation 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 All Asset 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

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Additional Information (unaudited)

also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.

- For Janus Henderson Dividend & Income Builder 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 effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced 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 Contrarian 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 Enterprise 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 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, 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, the Trustees noted that, although the Fund's total expenses were equal to or 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 effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities 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 effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

- For Janus Henderson Emerging Markets Managed Volatility 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.

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Additional Information (unaudited)

- For Janus Henderson 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, 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, 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.

U.S. Equity Funds

- For Janus Henderson Large 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 Mid 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 Select Value Fund, the Trustees noted that the Fund's total expenses were below the peer group averages for all share classes.
- For Janus Henderson Small Cap Value 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.

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, 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.
- For Janus Henderson Enterprise Portfolio, 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.
- For Janus Henderson Flexible Bond Portfolio, 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 Portfolio, 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.
- For Janus Henderson Global Allocation Portfolio - 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.
- For Janus Henderson 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, 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, 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 Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Overseas Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.

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Additional Information (unaudited)

- For Janus Henderson Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson 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.

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that 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. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were 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's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provided to each Fund. The Trustees also considered such estimated profitability taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Fund is necessarily a product of the allocation methodology utilized by Janus Capital to allocate its expenses as part of the estimated profitability calculation. In this regard, the Trustees noted that the independent fee consultant concluded that (1) the expense allocation methodology utilized by Janus Capital was reasonable and (2) the estimated profitability to Janus Capital from the investment management services it provided to each Fund was reasonable, including after taking into account the impact of the Transaction on Janus Capital's expense structure on a pro forma basis. The Trustees also considered that the estimated profitability for an individual Fund was influenced by a number of factors, including not only the allocation methodology selected, but also the presence of fee waivers and expense caps, and whether the Fund's investment management agreement contained breakpoints or a performance fee component. The Trustees determined, after taking into account these factors, among others, that Janus Capital's estimated profitability with respect to each Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Funds was not a material factor in the Board's approval of the reasonableness of any Fund's investment management fees.

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 or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus

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Capital, Janus Capital is subsidizing certain of these 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 it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. 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.

January 2017

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

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Additional Information (unaudited)

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

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Additional Information (unaudited)

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.

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Additional Information (unaudited)

- 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.

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Additional Information (unaudited)

- 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.

Janus Henderson VIT Global Research Portfolio

Additional Information (unaudited)

- 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 Henderson Overseas Fund (formerly, Janus 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.

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Additional Information (unaudited)

- 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

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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

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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.

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- 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

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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.

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- 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

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Additional Information (unaudited)

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

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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.

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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, 2018. 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 Global Research Portfolio

Useful Information About Your Portfolio Report (unaudited)

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

Janus Henderson VIT Global Research Portfolio

Useful Information About Your Portfolio Report (unaudited)

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.

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.

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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.

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SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

Government Money Portfolio

For more insights from T. Rowe Price investment professionals,
go to **troweprice.com**.



INVEST WITH CONFIDENCE®

HIGHLIGHTS

- The Federal Reserve raised short-term interest rates twice in the first half of our fiscal year.
- The Government Money Portfolio performed in line with the Lipper Variable Annuity Underlying Money Market Funds Average in the first six months of 2018.
- The portfolio's weighted average maturity was positioned longer than its peers early in the period, but as Treasury supply waned and prices increased, the weighted average maturity moved closer to that of the peer group. After the federal debt ceiling was suspended in February for about one year and new supply came to the market, we extended the weighted average maturity so that it was longer than the peer group again.
- As of June 30, we expected the central bank to raise rates again in September and in December 2018. The portfolio strives to maintain a high degree of liquidity, and our focus remains on principal stability and on investments with the highest credit quality.

Go Paperless

Sign up for e-delivery of your statements, confirmations, and prospectuses or shareholder reports.



TO ENROLL:

If you invest directly with T. Rowe Price, go to **troweprice.com/paperless**.

If you invest through an investment advisor, a bank, or a brokerage firm, please contact that organization and ask if it can provide electronic documentation.

It's fast—receive your statements and confirmations faster than U.S. mail.

It's convenient—access your important account documents whenever you need them.

It's secure—we protect your online accounts using “True Identity” to confirm new accounts and make verification faster and more secure.

It can save you money—where applicable, T. Rowe Price passes on the cost savings to fund holders.*

Log in to your account at **troweprice.com** for more information.

*Certain mutual fund accounts that are assessed an annual account service fee can also save money by switching to e-delivery.

Dear Investor

U.S. stocks recorded decent gains in the first half of 2018, but unlike last year, investors had to absorb some bumps along the way. In February, volatility spiked and the S&P 500 Index briefly tumbled over 10% from its highs, putting it in correction territory. The major U.S. benchmarks recovered their losses in the spring, eventually bringing the technology-focused Nasdaq Composite Index and the smaller-cap indexes to new highs. Volatility stayed somewhat elevated, however, and many investors clearly remained anxious as the first half of your fund's fiscal year ended.

Solid corporate and economic fundamentals initially seemed to promise that 2017's strong stock market momentum might carry forward into 2018. Continued global synchronized growth led to strong profits for many multinationals. In the U.S., earnings for the S&P 500 rose by nearly 25% in the first quarter versus a year before, according to FactSet—the best performance since the recovery from the financial crisis. Profit growth also picked up in Europe, Japan, and emerging markets, even as growth in many international economies cooled a bit.

Inflation fears presented the first obstacle to the markets in February, however. Stocks tumbled on news that hourly wages had jumped in January, sparking fears that the Federal Reserve would pick up its pace of interest rate increases in order to head off inflation. Wage growth moderated in the following months, but a series of strong economic reports raised growth expectations and sent long-term interest rates to multiyear peaks by May. Investors also worried that the massive U.S. fiscal stimulus from December's tax cuts and March's spending bill might overheat the economy, though interest rates fell back in late May and June as Fed officials stressed their intention to move slowly in tightening monetary policy.

Trade tensions soon emerged as a second impediment for the markets. The Trump administration began implementing a more populist trade stance in March, announcing tariffs on steel and aluminum imports, threatening to withdraw from the North American Free Trade Agreement (NAFTA), and later raising the possibility of taxing auto imports. The administration also announced a steady escalation in possible tariffs on Chinese goods, eventually targeting a list of \$200 billion in Chinese imports. China and other U.S. trading partners vowed to retaliate proportionately.

Investors initially seemed willing to dismiss the tit-for-tat threats as negotiating tactics, but evidence eventually emerged that even the prospect of tariffs was impacting corporate strategies and profit outlooks. Stocks slumped on June 21, after German automaker Daimler lowered its earnings guidance due

to possible tariff increases on SUVs it manufactures in the U.S. and sells in China. A few days later, Harley-Davidson revealed that it was planning to move some of its motorcycle production to Europe to avoid retaliatory tariffs recently announced by the European Union.

Boeing, Caterpillar, and other leading exporters suffered declines as trade tensions worsened, but small-caps, which typically have far less international exposure, fared much better than large-caps in the first half of the year. Growth shares continued to outperform value shares despite the strong performance of energy stocks, which benefited from a rise in oil prices to multiyear highs. Stocks in overseas markets reacted particularly poorly to growing trade fears and fell for the period. A decline in many currencies relative to the dollar also weighed on international bond and stock returns for U.S. investors.

Meanwhile, technology shares continued to dominate, with much of the market's overall gain to date in 2018 concentrated in a handful of mega-cap companies able to leverage dominant Internet platforms. Data breaches and concerns about the growing power of these firms resulted in calls for government intervention in early 2018. For now, however, the threat of increased regulation seems a longer-term one that appears minor in comparison to the powerful fundamental strength of these companies.

T. Rowe Price's global team of industry experts is monitoring the possible impact of tariffs and other challenges on a wide range of companies—from the global tech titans to small, domestic firms that get little analyst coverage on Wall Street. While the rest of 2018 may bring further surprises, you can rest assured that your portfolio manager is drawing on a wide range of insights in seeking to provide shareholders with superior returns while minimizing the impact of unforeseen political events or other pitfalls.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharps
Group Chief Investment Officer

INVESTMENT OBJECTIVE

The fund's goals are preservation of capital, liquidity, and, consistent with these, the highest possible current income.

PORTFOLIO COMMENTARY**How did the fund perform in the past six months?**

The Government Money Portfolio returned 0.52% in the six-month period ended June 30, 2018, versus 0.53% for the Lipper Variable Annuity Underlying Money Market Funds Average. *(Past performance cannot guarantee future results.)*

We have switched back to this Lipper benchmark because we have determined that the Lipper U.S. Government Money Market Funds Average—which we introduced in our previous report—is more appropriate for money market mutual funds that invest exclusively in government securities. Unfortunately, Lipper does not have a variable annuity benchmark for government money market portfolios, so for now, the Lipper Variable Annuity Underlying Money Market Funds Average is the most appropriate benchmark for the Government Money Portfolio.

PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/18	Total Return
Government Money Portfolio	0.52%
Lipper Variable Annuity Underlying Money Market Funds Average	0.53

What factors influenced the fund's performance?

The Federal Reserve raised interest rates by 25 basis points (0.25 percentage points) in March and in June 2018. By the end of June, the Fed had lifted the federal funds target rate to the 1.75% to 2.00% range.

Treasury bill yields rose in accordance with the Fed's rate hikes. In the last six months, the 90-day T-bill yield increased from 1.39% to 1.93%, while the six-month T-bill yield rose from 1.53% to 2.11%. By properly anticipating the Fed's rate hikes, the portfolio was well positioned to take advantage of the higher rates.

PORTFOLIO CHARACTERISTICS

Periods Ended	12/31/17	6/30/18
Price Per Share	\$1.00	\$1.00
Dividends Per Share		
6 Months	0.003	0.005
12 Months	0.003	0.008
SEC Yield (7-day simple)*	0.68%	1.35%
Weighted Average Maturity (days)	36	40
Weighted Average Life (days)	36	40

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.

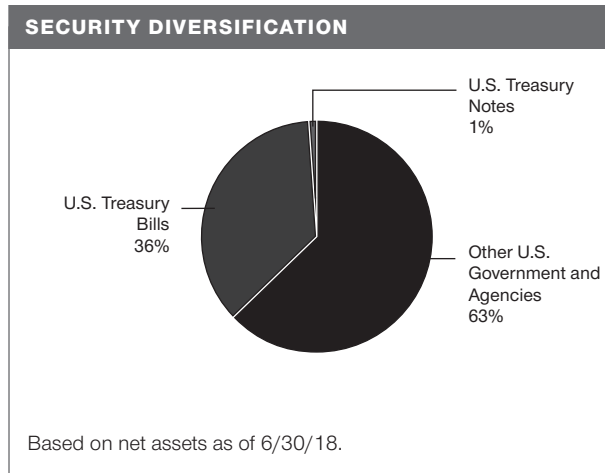
The SEC yield calculation annualizes the portfolio's net investment income for the last 7 days of each period and divides that by the portfolio's net asset value at the end of the period.

*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 fund's 7-day yield. Please see the prospectus for more details.

How is the fund positioned?

As a government money fund, the portfolio is required to invest almost exclusively in T-bills and other U.S. government securities, as well as in repurchase agreements fully collateralized by government securities. Of course, the portfolio 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 37% of the portfolio's assets were invested in Treasury bills and notes. Other U.S. government and agency securities accounted for the remainder.

The portfolio's weighted average maturity was positioned longer than its peers early in the period, but as Treasury supply waned and prices increased, the weighted average maturity moved closer to that of the peer group. After the federal debt ceiling was suspended in February for about one year and new supply came to the market, we extended the weighted average maturity so that it was longer than the peer group again.

**What is portfolio management's outlook?**

We now expect the Fed to raise rates again in September and in December 2018. With this forecast, the portfolio is maintaining a weighted average maturity that accommodates our desire to buy when securities fully price in these rate expectations. The weighted average maturity can be slightly longer than that of our average competitor because of the extended period (typically three months) between the meetings at which the Fed announces rate increases. To balance the longer average maturities, the portfolio strives to maintain a high degree of liquidity, and our focus remains on principal stability and on investments with the highest credit quality.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

RISKS OF INVESTING IN THE GOVERNMENT MONEY PORTFOLIO

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.

The potential for realizing a loss of principal could derive from:

Credit risks. An issuer of a debt instrument could suffer an adverse change in financial condition that results in a payment default, rating downgrade, or inability to meet a financial obligation. The credit quality of the securities held by the portfolio may change rapidly in certain market environments.

Interest rate risks. A decline in interest rates may lower the portfolio's yield, or a rise in the overall level of interest rates may cause a decline in the prices of fixed income securities held by the portfolio. The portfolio's yield will vary; it is not fixed for a specific period like the yield on a bank certificate of deposit. This is a disadvantage when interest rates are falling because the portfolio would have to reinvest at lower interest rates. Increases in demand for government securities may cause the yield on those securities to fall or even drop to a negative rate.

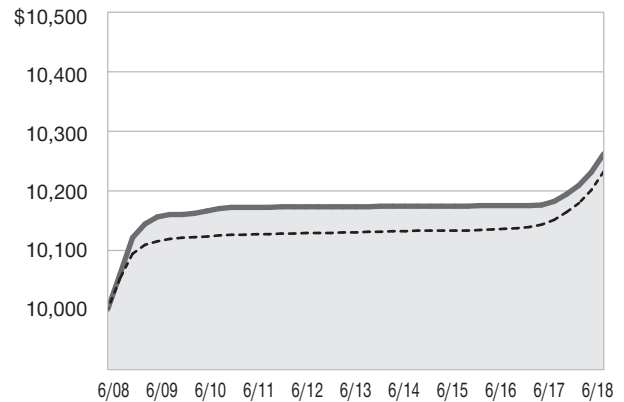
Repurchase agreement risks. A counterparty to a repurchase agreement may become insolvent or fail to repurchase securities from the portfolio as required, which could increase its costs or prevent it from immediately accessing its collateral.

These are some of the principal risks of investing in this portfolio. For a more thorough discussion of risks, please see the prospectus.

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 include a broad-based market index and may also include 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 6/30/18	1 Year	5 Years	10 Years
Government Money Portfolio	0.78%	0.17%	0.26%

The portfolio's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. 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 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Actual	\$1,000.00	\$1,005.20	\$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.

T. ROWE PRICE GOVERNMENT MONEY PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment activities						
Net investment income ⁽¹⁾	0.01	— ^{(2) (3)}	— ⁽²⁾	— ⁽²⁾	— ⁽²⁾	— ⁽²⁾
Net realized and unrealized gain/loss	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total from investment activities	0.01	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Distributions						
Net investment income	(0.01)	— ⁽³⁾	—	—	—	—
Net realized gain	—	—	—	— ⁽³⁾	—	— ⁽³⁾
Total distributions	(0.01)	— ⁽³⁾	—	— ⁽³⁾	—	— ⁽³⁾
NET ASSET VALUE						
End of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Ratios/Supplemental Data						
Total return ⁽⁴⁾	0.52% ⁽⁵⁾	0.34% ⁽²⁾	0.00% ⁽²⁾	0.01% ⁽²⁾	0.00% ⁽²⁾	0.00% ⁽²⁾
Ratio of total expenses to average net assets	0.55% ⁽⁵⁾	0.55% ⁽²⁾	0.40% ⁽²⁾	0.23% ⁽²⁾	0.17% ⁽²⁾	0.21% ⁽²⁾
Ratio of net investment income to average net assets	1.04% ⁽⁵⁾	0.38% ⁽²⁾	0.00% ⁽²⁾	0.00% ⁽²⁾	0.00% ⁽²⁾	0.00% ⁽²⁾
Net assets, end of period (in thousands)	\$ 32,682	\$ 33,318	\$ 18,880	\$ 17,379	\$ 17,905	\$ 19,992

⁽¹⁾ Per share amounts calculated using average shares outstanding method.

⁽²⁾ Includes the effect of voluntary management fee waivers and operating expense reimbursements of 0.00%, 0.15%, 0.32%, 0.38% and 0.34% of average net assets for the years ended 12/31/17, 12/31/16, 12/31/15, 12/31/14 and 12/31/13, 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.

T. ROWE PRICE GOVERNMENT MONEY PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS [†]	Par	\$ Value
(Amounts in 000s)		
U.S. GOVERNMENT AGENCY OBLIGATIONS 63.4%(1)		
Federal Farm Credit Bank		
1.633%, 7/30/18	200	200
Federal Farm Credit Bank		
1.727%, 7/3/18	2,000	2,000
Federal Home Loan Bank		
1.856%, 7/13/18	640	640
Federal Home Loan Bank		
1.867%, 8/29/18	250	249
Federal Home Loan Bank		
1.878%, 7/5/18	1,159	1,159
Federal Home Loan Bank		
1.895%, 7/11/18	2,505	2,504
Federal Home Loan Bank		
1.898%, 7/6/18	1,883	1,882
Federal Home Loan Bank		
1.904%, 7/9/18	300	300
Federal Home Loan Bank		
1.905%, 7/25/18	805	804
Federal Home Loan Bank		
1.925%, 7/24/18	686	685
Federal Home Loan Bank		
1.926%, 7/16/18	847	846
Federal Home Loan Bank		
1.927%, 7/2/18	200	200
Federal Home Loan Bank		
1.932%, 7/10/18	900	899
Federal Home Loan Bank		
1.939%, 7/18/18	600	599
Federal Home Loan Bank		
1.945%, 8/10/18	1,462	1,459
Federal Home Loan Bank		
1.952%, 7/12/18	400	400
Federal Home Loan Bank		
1.962%, 7/20/18	200	200
Federal Home Loan Bank		
1.963%, 7/26/18	600	599
Federal Home Loan Bank		
1.964%, 7/30/18	400	399
Federal Home Loan Bank		
1.969%, 8/1/18	800	799
Federal Home Loan Bank		
1.987%, 8/3/18	1,996	1,992
Federal Home Loan Bank		
1.999%, 8/17/18	100	100
Federal Home Loan Bank		
2.006%, 8/14/18	300	299
Federal Home Loan Bank		
2.01%, 8/8/18	500	499
Federal National Mortgage Assn.		
0.90%, 7/13/18	1,000	1,000
Total U.S. Government Agency Obligations		
(Cost \$20,713)		20,713

	Par	\$ Value
(Amounts in 000s)		
U.S. TREASURY DEBT 36.7%		
U.S. Treasury Bills		
1.604%, 7/19/18	194	194
U.S. Treasury Bills		
1.625%, 7/26/18	300	300
U.S. Treasury Bills		
1.667%, 7/5/18	964	964
U.S. Treasury Bills		
1.72%, 7/12/18	917	916
U.S. Treasury Bills		
1.741%, 8/2/18	842	841
U.S. Treasury Bills		
1.794%, 8/9/18	1,284	1,281
U.S. Treasury Bills		
1.837%, 8/23/18	270	269
U.S. Treasury Bills		
1.843%, 9/6/18	199	198
U.S. Treasury Bills		
1.865%, 8/30/18	434	433
U.S. Treasury Bills		
1.87%, 8/16/18	534	533
U.S. Treasury Bills		
1.875%, 9/13/18	177	176
U.S. Treasury Bills		
1.895%, 10/11/18	482	479
U.S. Treasury Bills		
1.911%, 9/27/18	850	846
U.S. Treasury Bills		
1.924%, 10/4/18	362	360
U.S. Treasury Bills		
1.933%, 9/20/18	1,126	1,121
U.S. Treasury Bills		
1.964%, 10/18/18	560	557
U.S. Treasury Bills		
2.01%, 11/1/18	290	288
U.S. Treasury Bills		
2.02%, 11/8/18	365	362
U.S. Treasury Bills		
2.054%, 11/15/18	266	264
U.S. Treasury Bills		
2.086%, 12/20/18	437	433
U.S. Treasury Bills		
2.092%, 12/6/18	250	248
U.S. Treasury Bills		
2.098%, 11/23/18	325	322
U.S. Treasury Bills		
2.101%, 12/27/18	430	426
U.S. Treasury Notes		
1.00%, 9/15/18	200	200
Total U.S. Treasury Debt		
(Cost \$12,011)		12,011

\$ Value

(Amounts in 000s)

Total Investments in Securities**100.1% of Net Assets (Cost \$32,724)** **\$ 32,724**

- ‡ Par is denominated in U.S. dollars unless otherwise noted.
- (1) Issuer operates under a Congressional charter; its securities are neither issued nor guaranteed by the U.S. government. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation currently operate under a federal conservatorship.

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

T. ROWE PRICE GOVERNMENT MONEY PORTFOLIO

June 30, 2018 (Unaudited)

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$32,724)	\$	32,724
Cash		18
Interest receivable		5
Receivable for shares sold		3
Other assets		1
Total assets		<u>32,751</u>

Liabilities

Payable for shares redeemed		26
Investment management and administrative fees payable		15
Other liabilities		28
Total liabilities		<u>69</u>

NET ASSETS	\$	<u>32,682</u>
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Net Assets Consist of:

Paid-in capital applicable to 32,664,234 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized	\$	<u>32,682</u>
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NET ASSETS	\$	<u>32,682</u>
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NET ASSET VALUE PER SHARE	\$	<u>1.00</u>
----------------------------------	-----------	--------------------

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

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/18
Investment Income (Loss)	
Interest income	\$ 260
Investment management and administrative expense	90
Net investment income	170
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 170

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

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 170	\$ 107
Distributions to shareholders		
Net investment income	(170)	(107)
Capital share transactions*		
Shares sold	6,993	22,667
Distributions reinvested	170	107
Shares redeemed	(7,799)	(8,336)
Increase (decrease) in net assets from capital share transactions	(636)	14,438
Net Assets		
Increase (decrease) during period	(636)	14,438
Beginning of period	33,318	18,880
End of period	\$ 32,682	\$ 33,318
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.

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Fixed Income Series, Inc., (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The 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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. 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 March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

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, including the comparison of amortized cost to market-based value, 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, 2018, all of the fund's financial instruments were classified as Level 2 in the fair value hierarchy.

NOTE 3 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2018, the cost of investments for federal income tax purposes was \$32,724,000.

NOTE 4 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.55% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

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, 2018, 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), on behalf of the fund. In that regard, at an in-person meeting held on March 5–6, 2018 (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, 2017, 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 expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds, and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

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, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) 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 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®

100 East Pratt Street
Baltimore, MD 21202

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.



SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

Limited-Term Bond Portfolio

For more insights from T. Rowe Price investment professionals,
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INVEST WITH CONFIDENCE®

HIGHLIGHTS

- The Limited-Term Bond Portfolio underperformed its benchmark and its Lipper peer group average in the six months ended June 30, 2018.
- Our overweight to corporate bonds and corresponding underweight to Treasuries boosted results, as did our allocation to out-of-benchmark positions in securitized debt.
- To add additional yield and diversification, we maintained our significant non-benchmark exposure in securitized debt, which we believe is of higher quality and less volatile than our corporate bond holdings.
- While uncertainties surrounding monetary policy and geopolitical risks could add to market volatility, the macroeconomic backdrop should remain supportive of the short-term bond market.

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*Certain mutual fund accounts that are assessed an annual account service fee can also save money by switching to e-delivery.

Dear Investor

U.S. stocks recorded decent gains in the first half of 2018, but unlike last year, investors had to absorb some bumps along the way. In February, volatility spiked and the S&P 500 Index briefly tumbled over 10% from its highs, putting it in correction territory. The major U.S. benchmarks recovered their losses in the spring, eventually bringing the technology-focused Nasdaq Composite Index and the smaller-cap indexes to new highs. Volatility stayed somewhat elevated, however, and many investors clearly remained anxious as the first half of your fund's fiscal year ended.

Solid corporate and economic fundamentals initially seemed to promise that 2017's strong stock market momentum might carry forward into 2018. Continued global synchronized growth led to strong profits for many multinationals. In the U.S., earnings for the S&P 500 rose by nearly 25% in the first quarter versus a year before, according to FactSet—the best performance since the recovery from the financial crisis. Profit growth also picked up in Europe, Japan, and emerging markets, even as growth in many international economies cooled a bit.

Inflation fears presented the first obstacle to the markets in February, however. Stocks tumbled on news that hourly wages had jumped in January, sparking fears that the Federal Reserve would pick up its pace of interest rate increases in order to head off inflation. Wage growth moderated in the following months, but a series of strong economic reports raised growth expectations and sent long-term interest rates to multiyear peaks by May. Investors also worried that the massive U.S. fiscal stimulus from December's tax cuts and March's spending bill might overheat the economy, though interest rates fell back in late May and June as Fed officials stressed their intention to move slowly in tightening monetary policy.

Trade tensions soon emerged as a second impediment for the markets. The Trump administration began implementing a more populist trade stance in March, announcing tariffs on steel and aluminum imports, threatening to withdraw from the North American Free Trade Agreement (NAFTA), and later raising the possibility of taxing auto imports. The administration also announced a steady escalation in possible tariffs on Chinese goods, eventually targeting a list of \$200 billion in Chinese imports. China and other U.S. trading partners vowed to retaliate proportionately.

Investors initially seemed willing to dismiss the tit-for-tat threats as negotiating tactics, but evidence eventually emerged that even the prospect of tariffs was impacting corporate strategies and profit outlooks. Stocks slumped on June 21, after German automaker Daimler lowered its earnings guidance due

to possible tariff increases on SUVs it manufactures in the U.S. and sells in China. A few days later, Harley-Davidson revealed that it was planning to move some of its motorcycle production to Europe to avoid retaliatory tariffs recently announced by the European Union.

Boeing, Caterpillar, and other leading exporters suffered declines as trade tensions worsened, but small-caps, which typically have far less international exposure, fared much better than large-caps in the first half of the year. Growth shares continued to outperform value shares despite the strong performance of energy stocks, which benefited from a rise in oil prices to multiyear highs. Stocks in overseas markets reacted particularly poorly to growing trade fears and fell for the period. A decline in many currencies relative to the dollar also weighed on international bond and stock returns for U.S. investors.

Meanwhile, technology shares continued to dominate, with much of the market's overall gain to date in 2018 concentrated in a handful of mega-cap companies able to leverage dominant Internet platforms. Data breaches and concerns about the growing power of these firms resulted in calls for government intervention in early 2018. For now, however, the threat of increased regulation seems a longer-term one that appears minor in comparison to the powerful fundamental strength of these companies.

T. Rowe Price's global team of industry experts is monitoring the possible impact of tariffs and other challenges on a wide range of companies—from the global tech titans to small, domestic firms that get little analyst coverage on Wall Street. While the rest of 2018 may bring further surprises, you can rest assured that your portfolio manager is drawing on a wide range of insights in seeking to provide shareholders with superior returns while minimizing the impact of unforeseen political events or other pitfalls.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharps
Group Chief Investment Officer

INVESTMENT OBJECTIVE

The fund seeks a high level of income consistent with moderate fluctuation in principal value.

FUND COMMENTARY**How did the fund perform in the past six months?**

The Limited-Term Bond Portfolio returned 0.04% in the six months ended June 30, 2018, underperforming its benchmark, the Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index, and also underperforming its Lipper peer group average. (Returns for Portfolio–II Class shares varied slightly, reflecting their different fee structure. *Past performance cannot guarantee future results.*)

PERFORMANCE COMPARISON	
Six-Month Period Ended 6/30/18	Total Return
Limited-Term Bond Portfolio	0.04%
Limited-Term Bond Portfolio–II	-0.09
Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index	0.08
Lipper Variable Annuity Underlying Short Investment Grade Debt Funds Average	0.27

What factors influenced the fund's performance?

Sector allocation contributed to relative performance. During most of the period, U.S. companies reaped the rewards of a risk-on environment in which U.S. and foreign investors continued their search for yield. In this climate, our overweight to corporate bonds and corresponding underweight to Treasuries boosted results. Our inclusion of out-of-benchmark positions in securitized sectors, which benefited from solid consumer fundamentals, also helped.

The Federal Reserve increased its federal funds target rate range twice during the period. As a result, short-term yields increased faster than those on longer-term securities, and the portfolio's underweight to the two-year portion of the yield curve benefited returns. The still-tame inflationary environment, with the consumer price index rising 2.9% over 12 months as of June, supported our corresponding overweight exposure to 10-year securities.

Security selection in the financial services industry contributed as low interest rates and a reduced tax and regulatory burden buoyed bonds from **Morgan Stanley** and **Merrill Lynch**. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

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 and options, as well as credit default and interest rate swaps. During the period, our use of interest rate futures marginally detracted from performance but had no material impact.

How is the fund positioned?

During the period, we underweighted lower-yielding Treasury securities and overweighted investment-grade corporate debt with a focus on short-maturity BBB rated issues for their incremental yield. At the end of the reporting period, 33% of the debt in the portfolio was BBB rated. In this way, we can produce value for investors by reaping the benefit of relatively high coupon payments while still protecting the portfolio from rising rates and volatility with short-term notes. Our corporate allocations have centered on high-quality bonds with maturities within the next 12 to 18 months. During the recent period of volatility, we redeployed the proceeds of our maturing short-term bond holdings into corporate bonds that offered attractive pricing.

KEY STATISTICS		
Periods Ended	12/31/17	6/30/18
Limited-Term Bond Portfolio		
Price Per Share	\$4.82	\$4.78
Dividends Per Share		
6 Months	0.04	0.04
12 Months	0.07	0.08
SEC Yield (30-day)	1.54%	2.27%
Limited-Term Bond Portfolio–II		
Price Per Share	\$4.80	\$4.76
Dividends Per Share		
6 Months	0.03	0.04
12 Months	0.06	0.07
SEC Yield (30-day)	1.29%	2.03%
Weighted Average		
Maturity (years)	2.1	2.2
Weighted Average Effective		
Duration (years)	1.9	1.8

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

To add yield and increase the portfolio's diversification, we maintained significant out-of-benchmark exposure in securitized debt. While we believe our securitized holdings are higher quality and less volatile than our corporate bond holdings, we have recently sought pockets of value among lower-quality asset-backed securities that have a history of high underwriting standards.

Being mindful of volatility, rising rates, and the convergence of short- and long-term yields, we have maintained a neutral duration versus the benchmark. (Duration measures a portfolio's sensitivity to changes in interest rates.) We have also positioned the portfolio for a flattening of the yield curve, lowering exposure to the two-year part of the curve while increasing exposure to the 10-year portion relative to the benchmark.

CREDIT QUALITY DIVERSIFICATION

	Percent of Net Assets	
	12/31/17	6/30/18
Quality Rating		
U.S. Government		
Agency Securities*	7%	8%
U.S. Treasury**	11	9
AAA	19	17
AA	9	7
A	16	17
BBB	31	33
BB and Below	7	8
Reserves	0	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 0.63% 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.

What is portfolio management's outlook?

While uncertainties surrounding monetary policy and geopolitical risks could add to market volatility, the macroeconomic backdrop should remain supportive of the short-term bond market.

In the U.S., growth expectations appear relatively healthy, and corporate and consumer fundamentals are still sound. We expect the Fed will continue to tighten monetary policy at a gradual pace so as not to derail the economic expansion and that it will clearly telegraph its moves to investors.

While the backdrop for U.S. corporate bonds remains constructive for the year ahead, longer-term earnings expectations have fallen. With valuations in many fixed income sectors still at elevated levels, faster-than-expected Fed rate hikes or a sudden acceleration of inflation caused by expansionary fiscal policy could quickly result in selling pressure on securities with credit risk. Global trade tensions and volatility in global equity markets could also negatively affect these riskier fixed income markets.

We are mindful of the potential for further market volatility. In these conditions, we anticipate maintaining the portfolio's defensive positioning with holdings skewed toward shorter-maturity securities as well as defensive securitized debt. In such an environment, security selection will be increasingly important.

As always, we strive to find value and seek out securities offering reasonable yields without taking on an inordinate level of risk. Our broad diversification and research-driven approach should help us identify short-term bonds whose valuations are disconnected from credit quality fundamentals while helping to limit exposure to sharp swings in the market.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

RISKS OF INVESTING IN FIXED INCOME SECURITIES

Funds that invest in fixed income securities are subject to price declines due to rising interest rates, with long-term securities generally most sensitive to rate fluctuations. Other risks include credit rating downgrades and defaults on scheduled interest and principal payments. 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 would increase the fund's sensitivity to rising interest rates and its potential for price declines.

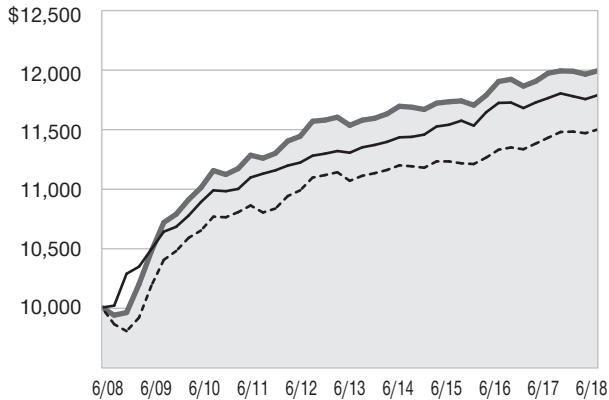
BENCHMARK INFORMATION

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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 include a broad-based market index and may also include 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



As of 6/30/18

— Limited-Term Bond Portfolio	\$11,988
--- Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index	11,783
--- Lipper Variable Annuity Underlying Short Investment Grade Debt Funds Average	11,495

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 6/30/18	1 Year	5 Years	10 Years
Limited-Term Bond Portfolio	0.17%	0.78%	1.83%
Limited-Term Bond Portfolio-II	-0.08	0.58	1.52

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. 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 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Limited-Term Bond Portfolio			
Actual	\$1,000.00	\$1,000.40	\$3.47
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.32	3.51
Limited-Term Bond Portfolio-II			
Actual	1,000.00	999.10	4.71
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%. Prior to July 1, 2018, the annual investment management fee for the fund was 0.70%. Effective July 1, 2018, Price Associates agreed to reduce the fund's management fee to 0.50%. For the Limited-Term Bond Portfolio, the actual ending account value and expenses paid during the period would have been \$1,001.39 and \$2.48, and the hypothetical ending account value and expenses paid during the period would have been \$1,022.32 and \$2.51, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period. For the Limited-Term Bond Portfolio-II, the actual ending account value and expenses paid during the period would have been \$1,000.09 and \$3.72, and the hypothetical ending account value and expenses paid during the period would have been \$1,021.08 and \$3.76, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period.

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Limited-Term Bond Class

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 4.82	\$ 4.84	\$ 4.84	\$ 4.88	\$ 4.91	\$ 4.98
Investment activities						
Net investment income ⁽¹⁾	0.04	0.06	0.05	0.04	0.05	0.06
Net realized and unrealized gain / loss	(0.04)	(0.01)	0.02	(0.02)	(0.02)	(0.05)
Total from investment activities	—	0.05	0.07	0.02	0.03	0.01
Distributions						
Net investment income	(0.04)	(0.07)	(0.07)	(0.06)	(0.06)	(0.08)
Net realized gain	—	—	—	—	—	— ⁽²⁾
Total distributions	(0.04)	(0.07)	(0.07)	(0.06)	(0.06)	(0.08)
NET ASSET VALUE						
End of period	\$ 4.78	\$ 4.82	\$ 4.84	\$ 4.84	\$ 4.88	\$ 4.91

Ratios/Supplemental Data

Total return⁽³⁾	0.04%	1.05%	1.37%	0.31%	0.64%	0.13%
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	1.66% ⁽⁴⁾	1.29%	1.05%	0.82%	1.00%	1.12%
Portfolio turnover rate	31.0%	55.9%	58.0%	89.2%	117.0%	52.4%
Net assets, end of period (in thousands)	\$ 431,503	\$ 443,270	\$ 390,964	\$ 420,125	\$ 261,935	\$ 168,117

⁽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.

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Limited-Term Bond-II Class

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 4.80	\$ 4.82	\$ 4.82	\$ 4.86	\$ 4.89	\$ 4.96
Investment activities						
Net investment income ⁽¹⁾	0.03	0.05	0.04	0.03	0.04	0.03
Net realized and unrealized gain / loss	(0.03)	(0.01)	0.01	(0.03)	(0.02)	(0.04)
Total from investment activities	-	0.04	0.05	-	0.02	(0.01)
Distributions						
Net investment income	(0.04)	(0.06)	(0.05)	(0.04)	(0.05)	(0.06)
Net realized gain	-	-	-	-	-	— ⁽²⁾
Total distributions	(0.04)	(0.06)	(0.05)	(0.04)	(0.05)	(0.06)
NET ASSET VALUE						
End of period	\$ 4.76	\$ 4.80	\$ 4.82	\$ 4.82	\$ 4.86	\$ 4.89

Ratios/Supplemental Data

Total return⁽³⁾	(0.09)%	0.81%	1.12%	0.06%	0.39%	(0.12)%
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	1.43% ⁽⁴⁾	1.09%	0.77%	0.62%	0.81%	0.65%
Portfolio turnover rate	31.0%	55.9%	58.0%	89.2%	117.0%	52.4%
Net assets, end of period (in thousands)	\$ 10,143	\$ 7,378	\$ 9,979	\$ 11,043	\$ 8,224	\$ 4,824

⁽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.

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS†**Par/Shares \$ Value**

(Amounts in 000s)

CORPORATE BONDS 50.7%**Financial Institutions 20.3%****Banking 14.7%**

ABN AMRO Bank		
2.10%, 1/18/19 (1)	1,170	1,165
Ally Financial		
3.50%, 1/27/19	1,855	1,850
American Express Credit		
2.20%, 3/3/20	1,030	1,016
American Express Credit		
2.375%, 5/26/20	160	158
ANZ New Zealand International		
2.20%, 7/17/20 (1)	550	540
ANZ New Zealand International		
2.75%, 1/22/21 (1)	880	864
Banco de Credito del Peru		
2.25%, 10/25/19 (1)	200	197
Banco Santander		
2.50%, 12/15/20 (1)	1,285	1,253
Banco Santander, FRN		
3M USD LIBOR + 1.12%, 3.459%		
4/12/23	600	598
Bank of America		
2.503%, 10/21/22	435	416
Bank of America		
2.625%, 4/19/21	535	525
Bank of America, FRN		
3M USD LIBOR + 0.38%, 2.742%		
1/23/22	610	607
Bank of America, FRN		
3M USD LIBOR + 0.65%, 2.985%		
6/25/22	590	589
Bank of America, FRN		
3M USD LIBOR + 1.16%, 3.519%		
1/20/23	995	1,010
Bank of Montreal		
1.75%, 9/11/19	1,580	1,561
Bank of Montreal, FRN		
3M USD LIBOR + 0.46%, 2.802%		
4/13/21	730	731
Bank of Tokyo-Mitsubishi		
2.15%, 9/14/18 (1)	1,010	1,009
Banque Federale Credit Mutuel		
2.00%, 4/12/19 (1)	690	686
Banque Federale Credit Mutuel		
2.20%, 7/20/20 (1)	625	612
Banque Federale Credit Mutuel		
2.50%, 10/29/18 (1)	435	435
Barclays		
2.75%, 11/8/19	1,010	1,003
Barclays, FRN		
3M USD LIBOR + 1.625%, 3.956%		
1/10/23	475	481
Barclays Bank		
2.65%, 1/11/21	665	650

Par/Shares \$ Value

(Amounts in 000s)

BB&T		
2.15%, 2/1/21	860	838
BPCE		
2.50%, 12/10/18	1,435	1,434
BPCE		
2.50%, 7/15/19	440	438
BPCE, FRN		
3M USD LIBOR + 1.22%, 3.549%		
5/22/22 (1)	400	405
Capital One		
1.85%, 9/13/19	1,040	1,025
Capital One		
2.35%, 8/17/18	1,000	1,000
Capital One		
2.35%, 1/31/20	940	926
Capital One Financial		
2.40%, 10/30/20	575	561
Citibank		
2.125%, 10/20/20	1,080	1,052
Citigroup		
2.90%, 12/8/21	990	970
Citigroup, FRN		
3M USD LIBOR + 0.79%, 3.121%		
1/10/20	1,005	1,011
Citizens Bank		
2.25%, 3/2/20	455	447
Citizens Bank		
2.45%, 12/4/19	250	248
Citizens Bank		
2.50%, 3/14/19	925	923
Citizens Bank		
2.55%, 5/13/21	390	380
Cooperatieve Rabobank		
3.95%, 11/9/22	935	925
Credit Agricole London, FRN		
3M USD LIBOR + 1.02%, 3.379%		
4/24/23 (1)	470	469
Credit Suisse		
5.40%, 1/14/20	140	144
Credit Suisse Group Funding		
Guernsey		
2.75%, 3/26/20	250	247
Danske Bank		
2.20%, 3/2/20 (1)	915	901
Discover Bank		
3.10%, 6/4/20	310	308
Discover Bank		
7.00%, 4/15/20	1,555	1,640
First Niagara Financial Group		
7.25%, 12/15/21	370	411
Goldman Sachs Group		
1.95%, 7/23/19	350	347
Goldman Sachs Group		
2.30%, 12/13/19	500	495
Goldman Sachs Group		
5.375%, 3/15/20	295	305
Goldman Sachs Group		
6.00%, 6/15/20	90	95

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Goldman Sachs Group, FRN		
3M USD LIBOR + 0.78%, 3.139%		
10/31/22	750	750
Goldman Sachs Group, FRN		
3M USD LIBOR + 1.11%, 3.472%		
4/26/22	750	757
HSBC Holdings		
2.65%, 1/5/22	470	454
HSBC Holdings, FRN		
3M USD LIBOR + 0.60%, 2.926%		
5/18/21	805	806
HSBC USA		
2.35%, 3/5/20	690	681
Huntington National Bank		
2.20%, 11/6/18	995	994
Huntington National Bank		
2.375%, 3/10/20	1,020	1,006
ING Groep, FRN		
3M USD LIBOR + 1.15%, 3.484%		
3/29/22	480	487
Intesa Sanpaolo		
3.375%, 1/12/23 (1)	525	482
Intesa Sanpaolo		
3.875%, 1/15/19	650	651
JPMorgan Chase		
2.25%, 1/23/20	800	789
JPMorgan Chase		
4.25%, 10/15/20	275	281
JPMorgan Chase		
4.40%, 7/22/20	170	174
JPMorgan Chase		
4.95%, 3/25/20	225	231
JPMorgan Chase, FRN		
3M USD LIBOR + 0.55%, 2.877%		
3/9/21	990	992
Mitsubishi UFJ Financial Group, FRN		
3M USD LIBOR + 0.92%, 3.249%		
2/22/22	570	576
Morgan Stanley		
5.50%, 1/26/20	355	367
Morgan Stanley		
5.50%, 7/24/20	355	370
Morgan Stanley, FRN		
3M USD LIBOR + 0.55%, 2.903%		
2/10/21	900	902
Morgan Stanley, FRN		
3M USD LIBOR + 0.85%, 3.209%		
1/24/19	1,730	1,736
National Australia Bank		
1.875%, 7/23/18	1,315	1,315
Nordea Bank		
1.875%, 9/17/18 (1)	1,040	1,038
PNC Bank		
2.45%, 11/5/20	650	639
Regions Bank		
2.25%, 9/14/18	455	455
Regions Bank, FRN		
3M USD LIBOR + 0.38%, 2.717%		
4/1/21	980	978

	Par/Shares	\$ Value
(Amounts in 000s)		
Royal Bank of Scotland		
6.40%, 10/21/19	210	218
Santander		
2.00%, 8/24/18	1,345	1,344
Skandinaviska Enskilda Banken		
1.50%, 9/13/19	1,065	1,048
Standard Chartered		
2.10%, 8/19/19 (1)	280	277
Sumitomo Mitsui Banking		
1.762%, 10/19/18	295	294
Sumitomo Mitsui Banking		
1.95%, 7/23/18	500	500
Sumitomo Mitsui Trust Bank		
1.95%, 9/19/19 (1)	410	405
SunTrust Bank, VR		
2.59%, 1/29/21 (2)	1,090	1,080
SunTrust Banks		
2.35%, 11/1/18	200	200
Svenska Handelsbanken		
3.35%, 5/24/21	760	760
Toronto-Dominion Bank		
1.75%, 7/23/18	1,050	1,050
Toronto-Dominion Bank		
1.95%, 1/22/19	1,005	1,001
UBS Group Funding Switzerland		
2.95%, 9/24/20 (1)	1,015	1,005
UBS Group Funding Switzerland		
FRN, 3M USD LIBOR + 1.22%		
3.549%, 5/23/23 (1)	590	597
US Bank, FRN		
3M USD LIBOR + 0.32%		
2.682%, 4/26/21	1,080	1,081
Wells Fargo & Co		
2.55%, 12/7/20	70	69
		64,741
Brokerage Asset Managers Exchanges 0.3%		
CBOE Global Markets		
1.95%, 6/28/19	410	406
Charles Schwab, FRN		
3M USD LIBOR + 0.32%, 2.649%		
5/21/21	680	681
Legg Mason		
2.70%, 7/15/19	45	45
		1,132
Finance Companies 1.4%		
AerCap Ireland Capital		
3.75%, 5/15/19	315	317
AerCap Ireland Capital		
3.95%, 2/1/22	785	781
Air Lease		
2.125%, 1/15/20	890	873
Air Lease		
2.50%, 3/1/21	200	195
Aircastle		
4.625%, 12/15/18	1,000	1,005

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
GATX		
2.50%, 7/30/19	485	481
GATX		
2.60%, 3/30/20	1,020	1,007
International Lease Finance		
6.25%, 5/15/19	560	575
iStar		
4.625%, 9/15/20	1,115	1,098
		6,332
Insurance 2.7%		
AIA Group		
2.25%, 3/11/19 (1)	200	199
AIG Global Funding		
3.35%, 6/25/21 (1)	525	526
American International Group		
2.30%, 7/16/19	520	516
American International Group		
6.40%, 12/15/20	260	279
Anthem		
2.30%, 7/15/18	775	775
Anthem		
2.50%, 11/21/20	475	466
Aon		
2.80%, 3/15/21	970	953
Aon		
5.00%, 9/30/20	95	98
CNO Financial Group		
4.50%, 5/30/20	1,940	1,935
Humana		
2.625%, 10/1/19	745	741
Lincoln National		
4.00%, 9/1/23	195	197
Marsh & McLennan		
2.55%, 10/15/18	170	170
Pricoa Global Funding I		
1.90%, 9/21/18 (1)	1,360	1,358
Principal Life Global Funding II		
1.50%, 4/18/19 (1)	415	411
Principal Life Global Funding II		
2.20%, 4/8/20 (1)	1,545	1,518
Provident		
7.00%, 7/15/18	175	175
Reinsurance Group of America		
5.00%, 6/1/21	90	94
Reinsurance Group of America		
6.45%, 11/15/19	810	845
Trinity Acquisition		
3.50%, 9/15/21	255	253
XLIT		
2.30%, 12/15/18	585	584
		12,093
Real Estate Investment Trusts 1.2%		
American Campus Communities		
3.35%, 10/1/20	700	698

	Par/Shares	\$ Value
(Amounts in 000s)		
Brixmor Operating Partnership		
3.875%, 8/15/22	115	115
Kimco Realty		
6.875%, 10/1/19	300	314
Starwood Property Trust		
3.625%, 2/1/21 (1)	1,070	1,046
VEREIT Operating Partnership		
3.00%, 2/6/19	1,980	1,979
WEA Finance		
2.70%, 9/17/19 (1)	1,110	1,102
		5,254
Total Financial Institutions		89,552
Industrial 28.3%		
Basic Industry 1.6%		
ArcelorMittal, STEP		
5.25%, 8/5/20	315	325
Celulosa Arauco Y Constitucion		
7.25%, 7/29/19	595	620
Ecolab		
2.00%, 1/14/19	690	687
INVISTA Finance		
4.25%, 10/15/19 (1)	1,480	1,487
LyondellBasell Industries		
5.00%, 4/15/19	270	273
LyondellBasell Industries		
6.00%, 11/15/21	415	444
Packaging Corp. of America		
2.45%, 12/15/20	410	402
Sherwin-Williams		
2.25%, 5/15/20	2,010	1,975
Solvay Finance		
3.40%, 12/3/20 (1)	705	704
Southern Copper		
5.375%, 4/16/20	145	151
		7,068
Capital Goods 2.4%		
Boral Finance		
3.00%, 11/1/22 (1)	100	96
CNH Industrial Capital		
3.375%, 7/15/19	375	372
CNH Industrial Capital		
3.875%, 10/15/21	225	222
CNH Industrial Capital		
4.375%, 11/6/20	1,480	1,484
Fortive		
1.80%, 6/15/19	105	104
General Dynamics, FRN		
3M USD LIBOR + 0.29%, 2.646%		
5/11/20	225	225
General Dynamics, FRN		
3M USD LIBOR + 0.38%, 2.736%		
5/11/21	380	381
Honeywell International		
1.80%, 10/30/19	795	784

	Par/Shares	\$ Value
(Amounts in 000s)		
Martin Marietta Materials, FRN		
3M USD LIBOR + 0.50%, 2.825%		
12/20/19	445	446
Martin Marietta Materials, FRN		
3M USD LIBOR + 0.65%, 2.979%		
5/22/20	215	216
Northrop Grumman		
2.08%, 10/15/20	1,105	1,080
Rockwell Collins		
1.95%, 7/15/19	300	297
Roper Technologies		
2.05%, 10/1/18	1,935	1,932
Roper Technologies		
3.00%, 12/15/20	150	149
Stanley Black & Decker		
1.622%, 11/17/18	1,150	1,146
Vulcan Materials, FRN		
3M USD LIBOR + 0.60%, 2.941%		
6/15/20	520	519
Vulcan Materials, FRN		
3M USD LIBOR + 0.65%, 2.95%		
3/1/21	1,130	1,132
		10,585
Communications 3.2%		
America Movil		
5.00%, 10/16/19	120	123
AT&T		
2.30%, 3/11/19	1,075	1,072
Charter Communications Operating		
3.579%, 7/23/20	920	917
Charter Communications Operating		
4.464%, 7/23/22	445	448
Crown Castle International		
2.25%, 9/1/21	385	370
Crown Castle International		
3.40%, 2/15/21	600	599
Crown Castle Towers		
3.72%, 7/15/23 (1)	385	385
Discovery Communications		
2.20%, 9/20/19	380	376
Interpublic Group		
4.00%, 3/15/22	235	235
NBCUniversal Media		
5.15%, 4/30/20	1,060	1,095
Omnicom Group		
4.45%, 8/15/20	500	512
RELX Capital		
3.50%, 3/16/23	400	397
SBA Tower Trust		
2.898%, 10/8/19 (1)	1,640	1,630
SBA Tower Trust		
3.448%, 3/15/23 (1)	620	618
SES Global Americas Holdings		
2.50%, 3/25/19 (1)	265	264
Telefonos De Mexico		
5.50%, 11/15/19	730	752
Time Warner Cable		
6.75%, 7/1/18	425	425

	Par/Shares	\$ Value
(Amounts in 000s)		
Time Warner Cable		
8.25%, 4/1/19	1,960	2,031
Time Warner Cable		
8.75%, 2/14/19	285	295
Viacom		
2.75%, 12/15/19	1,270	1,253
Viacom		
5.625%, 9/15/19	460	472
		14,269
Consumer Cyclical 4.8%		
Alibaba Group Holding		
2.50%, 11/28/19	1,480	1,470
Aptiv		
3.15%, 11/19/20	760	754
AutoZone		
1.625%, 4/21/19	125	124
BMW US Capital, FRN		
3M USD LIBOR + 0.41%, 2.749%		
4/12/21 (1)	770	771
D.R. Horton		
2.55%, 12/1/20	365	358
Daimler Finance North America		
1.75%, 10/30/19 (1)	705	693
Daimler Finance North America		
2.30%, 2/12/21 (1)	1,090	1,058
Daimler Finance North America		
2.375%, 8/1/18 (1)	745	745
Daimler Finance North America		
FRN		
3M USD LIBOR + 0.86%, 3.218%		
8/1/18 (1)	295	295
Dollar Tree, FRN		
3M USD LIBOR + 0.70%, 3.055%		
4/17/20	865	867
eBay		
2.15%, 6/5/20	540	531
Ford Motor Credit		
2.021%, 5/3/19	655	650
Ford Motor Credit		
2.551%, 10/5/18	905	904
Ford Motor Credit		
3.47%, 4/5/21	290	288
General Motors Financial		
3.10%, 1/15/19	545	545
General Motors Financial, FRN		
3M USD LIBOR + 0.85%, 3.189%		
4/9/21	515	518
Harley-Davidson Financial Services		
FRN, 3M USD LIBOR + 0.50%		
2.831%, 5/21/20 (1)	550	551
Hyundai Capital America		
1.75%, 9/27/19 (1)	495	485
Hyundai Capital America		
2.00%, 7/1/19 (1)	580	572
Hyundai Capital America		
2.40%, 10/30/18 (1)	605	604

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Hyundai Capital America		
2.50%, 3/18/19 (1)	1,105	1,100
Hyundai Capital America		
2.55%, 2/6/19 (1)	295	294
JD.com		
3.125%, 4/29/21	1,040	1,015
Nissan Motor Acceptance		
1.55%, 9/13/19 (1)	525	516
Nissan Motor Acceptance		
2.15%, 9/28/20 (1)	755	735
PACCAR Financial		
3.10%, 5/10/21	865	861
QVC		
3.125%, 4/1/19	2,486	2,486
Royal Caribbean Cruises		
2.65%, 11/28/20	185	182
Walmart		
3.125%, 6/23/21	1,080	1,085
		21,057
Consumer Non-Cyclical 7.0%		
Abbott Laboratories		
2.35%, 11/22/19	292	290
Abbott Laboratories		
2.90%, 11/30/21	725	714
AbbVie		
2.30%, 5/14/21	640	622
BAT Capital		
2.297%, 8/14/20 (1)	1,775	1,737
Bayer Us Finance II		
3.50%, 6/25/21 (1)	450	451
Bayer Us Finance II, FRN		
3M USD LIBOR + 0.63%, 2.965%		
6/25/21 (1)	850	852
Becton Dickinson & Company		
2.404%, 6/5/20	785	770
Becton Dickinson & Company		
2.675%, 12/15/19	1,360	1,351
Becton Dickinson & Company, FRN		
3M USD LIBOR + 0.875%, 3.209%		
12/29/20	315	316
Biogen		
2.90%, 9/15/20	445	442
Bunge Limited Finance		
3.50%, 11/24/20	380	379
Bunge Limited Finance		
8.50%, 6/15/19	670	702
Campbell Soup, FRN		
3M USD LIBOR + 0.50%, 2.835%		
3/16/20	700	699
Campbell Soup, FRN		
3M USD LIBOR + 0.63%, 2.971%		
3/15/21	700	698
Catholic Health Initiatives		
2.60%, 8/1/18	230	230
Celgene		
2.875%, 2/19/21	485	482
CVS Health		
1.90%, 7/20/18	1,860	1,859

	Par/Shares	\$ Value
(Amounts in 000s)		
CVS Health		
3.125%, 3/9/20	575	574
CVS Health		
3.35%, 3/9/21	930	927
CVS Health, FRN		
3M USD LIBOR + 0.63%, 2.957%		
3/9/20	430	431
CVS Health, FRN		
3M USD LIBOR + 0.72%, 3.047%		
3/9/21	475	477
Danone		
1.691%, 10/30/19 (1)	1,655	1,624
Express Scripts Holding		
2.25%, 6/15/19	115	114
Express Scripts Holding, FRN		
3M USD LIBOR + 0.75%, 3.068%		
11/30/20	1,100	1,105
General Mills, FRN		
3M USD LIBOR + 0.54%, 2.893%		
4/16/21	1,345	1,347
HCA		
3.75%, 3/15/19	2,030	2,035
Imperial Brands Finance		
2.05%, 7/20/18 (1)	220	220
Imperial Brands Finance		
2.95%, 7/21/20 (1)	265	262
Johnson & Johnson		
1.95%, 11/10/20	340	334
Kroger		
1.50%, 9/30/19	399	391
Kroger		
2.30%, 1/15/19	230	229
Maple Escrow Subsidiary		
3.551%, 5/25/21 (1)	1,130	1,129
Medco Health Solutions		
4.125%, 9/15/20	515	522
Newell Brands		
2.15%, 10/15/18	945	943
Reynolds American		
8.125%, 6/23/19	265	278
Shire Acquisition Investments Ireland		
1.90%, 9/23/19	2,625	2,584
Teva Pharmaceutical Finance III		
1.70%, 7/19/19	1,613	1,579
Teva Pharmaceutical Finance III		
2.20%, 7/21/21	60	56
Tyson Foods		
2.25%, 8/23/21	405	390
Universal Health Services		
3.75%, 8/1/19 (1)	525	525
		30,670
Energy 3.3%		
Cenovus Energy		
5.70%, 10/15/19	1,495	1,532
Columbia Pipeline Group		
3.30%, 6/1/20	785	780

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
DCP Midstream Operating		
2.70%, 4/1/19	1,110	1,099
DCP Midstream Operating		
9.75%, 3/15/19 (1)	1,000	1,041
Enable Midstream Partners, STEP		
2.40%, 5/15/19	435	432
Enbridge Energy Partners		
9.875%, 3/1/19	285	298
Encana		
6.50%, 5/15/19	1,465	1,507
Energy Transfer Partners		
6.70%, 7/1/18	130	130
Enterprise Products Operating		
2.55%, 10/15/19	15	15
Enterprise Products Operating		
2.80%, 2/15/21	720	711
Kinder Morgan Energy Partners		
9.00%, 2/1/19	625	647
Marathon Oil		
2.70%, 6/1/20	440	433
ONEOK Partners		
3.20%, 9/15/18	1,380	1,382
ONEOK Partners		
8.625%, 3/1/19	681	706
Phillips 66, FRN		
3M USD LIBOR + 0.60%, 2.919%		
2/26/21	495	495
Phillips 66, FRN		
3M USD LIBOR + 0.65%, 2.998%		
4/15/19 (1)	350	350
Plains All American Pipeline		
2.60%, 12/15/19	140	138
Plains All American Pipeline		
5.75%, 1/15/20	705	728
Sabine Pass Liquefaction, STEP		
5.625%, 2/1/21	675	706
Spectra Energy Partners		
2.95%, 9/25/18	810	810
Williams Partners		
3.35%, 8/15/22	140	137
Williams Partners		
5.25%, 3/15/20	625	644
		14,721
Technology 4.4%		
Apple		
1.80%, 11/13/19	1,050	1,039
Avnet		
3.75%, 12/1/21	370	368
Baidu		
2.75%, 6/9/19	1,715	1,709
Broadcom		
2.375%, 1/15/20	1,110	1,096
Broadcom		
3.00%, 1/15/22	1,040	1,012
Dell International		
3.48%, 6/1/19 (1)	1,700	1,706
DXC Technology		
2.875%, 3/27/20	645	639

	Par/Shares	\$ Value
(Amounts in 000s)		
DXC Technology, FRN		
3M USD LIBOR + 0.95%, 3.25%		
3/1/21	1,260	1,271
Equifax		
2.30%, 6/1/21	225	217
Equifax		
3.60%, 8/15/21	390	389
Equifax, FRN		
3M USD LIBOR + 0.87%, 3.20%		
8/15/21	420	422
Fidelity National Information Services		
2.25%, 8/15/21	780	751
Fidelity National Information Services		
3.625%, 10/15/20	185	186
Hewlett Packard Enterprise		
2.10%, 10/4/19 (1)	400	395
Hewlett Packard Enterprise, STEP		
2.85%, 10/5/18	240	240
Keysight Technologies		
3.30%, 10/30/19	2,635	2,625
Microchip Technology		
3.922%, 6/1/21 (1)	580	581
QUALCOMM		
2.10%, 5/20/20	405	405
Seagate HDD Cayman		
3.75%, 11/15/18	585	585
Tencent Holdings		
2.875%, 2/11/20 (1)	1,115	1,110
Tencent Holdings		
3.375%, 5/2/19 (1)	835	838
Xerox		
2.75%, 3/15/19	950	948
Xerox		
5.625%, 12/15/19	765	785
		19,317
Transportation 1.6%		
Delta Air Lines		
2.60%, 12/4/20	280	274
Delta Air Lines		
2.875%, 3/13/20	1,265	1,253
Delta Air Lines		
3.80%, 4/19/23	265	262
ERAC USA Finance		
2.35%, 10/15/19 (1)	155	153
ERAC USA Finance		
2.80%, 11/1/18 (1)	30	30
JB Hunt Transport Services		
2.40%, 3/15/19	80	80
Kansas City Southern		
2.35%, 5/15/20	1,325	1,302
Penske Truck Leasing		
2.50%, 6/15/19 (1)	660	656
Penske Truck Leasing		
2.875%, 7/17/18 (1)	1,565	1,565
Penske Truck Leasing		
3.20%, 7/15/20 (1)	140	140
Southwest Airlines		
2.75%, 11/6/19	320	319

	Par/Shares	\$ Value
(Amounts in 000s)		
Union Pacific		
3.20%, 6/8/21	830	831
United Parcel Service		
2.50%, 4/1/23	235	227
		7,092
Total Industrial		124,779
Utility 2.1%		
Electric 1.7%		
Dominion Energy		
1.50%, 9/30/18 (1)	395	394
Dominion Energy		
1.875%, 1/15/19	185	184
Dominion Energy, STEP		
2.579%, 7/1/20	270	266
Dominion Energy, STEP		
2.962%, 7/1/19	240	239
Duke Energy		
3.55%, 9/15/21	225	226
Enel Finance International		
2.875%, 5/25/22 (1)	770	734
Exelon Generation		
2.95%, 1/15/20	885	879
Exelon Generation		
5.20%, 10/1/19	136	139
FirstEnergy		
2.85%, 7/15/22	585	563
National Rural Utilities Cooperative		
Finance		
1.65%, 2/8/19	275	273
NextEra Energy Capital Holdings		
1.649%, 9/1/18	290	290
NextEra Energy Capital Holdings		
2.30%, 4/1/19	285	284
Origin Energy Finance		
3.50%, 10/9/18 (1)	985	986
PNM Resources		
3.25%, 3/9/21	690	684
San Diego Gas & Electric		
1.914%, 2/1/22	154	151
Southern Company		
1.55%, 7/1/18	270	270
Southern Company		
1.85%, 7/1/19	955	945
Southern Company		
2.35%, 7/1/21	210	203
		7,710
Natural Gas 0.4%		
ENN Energy Holdings		
3.25%, 10/23/19	530	526
ENN Energy Holdings		
6.00%, 5/13/21 (1)	250	263
Sempra Energy		
1.625%, 10/7/19	225	221

	Par/Shares	\$ Value
(Amounts in 000s)		
Sempra Energy, FRN		
3M USD LIBOR + 0.50%, 2.848%		
1/15/21	740	741
		1,751
Total Utility		9,461
Total Corporate Bonds		
(Cost \$225,549)		223,792

ASSET-BACKED SECURITIES 17.1%**Car Loan 9.5%**

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	748
Ally Auto Receivables Trust		
Series 2016-1, Class D		
2.84%, 9/15/22	260	259
Ally Auto Receivables Trust		
Series 2017-2, Class C		
2.46%, 9/15/22	505	497
Ally Auto Receivables Trust		
Series 2017-2, Class D		
2.93%, 11/15/23	135	133
AmeriCredit Automobile		
Receivables Trust		
Series 2014-1, Class E		
3.58%, 8/9/21 (1)	260	261
AmeriCredit Automobile		
Receivables Trust		
Series 2014-2, Class E		
3.37%, 11/8/21 (1)	545	546
AmeriCredit Automobile		
Receivables Trust		
Series 2014-3, Class C		
2.58%, 9/8/20	143	143
AmeriCredit Automobile		
Receivables Trust		
Series 2014-3, Class D		
3.13%, 10/8/20	640	641
AmeriCredit Automobile		
Receivables Trust		
Series 2014-3, Class E		
3.72%, 3/8/22 (1)	240	241
AmeriCredit Automobile		
Receivables Trust		
Series 2014-4, Class C		
2.47%, 11/9/20	307	307
AmeriCredit Automobile		
Receivables Trust		
Series 2014-4, Class E		
3.66%, 3/8/22	225	225
AmeriCredit Automobile		
Receivables Trust		
Series 2015-2, Class D		
3.00%, 6/8/21	775	775

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
AmeriCredit Automobile Receivables Trust Series 2015-3, Class D 3.34%, 8/8/21	460	461
AmeriCredit Automobile Receivables Trust Series 2015-4, Class A3 1.70%, 7/8/20	89	89
AmeriCredit Automobile Receivables Trust Series 2016-1, Class A3 1.81%, 10/8/20	53	53
AmeriCredit Automobile Receivables Trust Series 2016-1, Class C 2.89%, 1/10/22	795	794
AmeriCredit Automobile Receivables Trust Series 2016-3, Class C 2.24%, 4/8/22	610	600
AmeriCredit Automobile Receivables Trust Series 2016-3, Class D 2.71%, 9/8/22	545	536
AmeriCredit Automobile Receivables Trust Series 2016-4, Class A3 1.53%, 7/8/21	605	601
AmeriCredit Automobile Receivables Trust Series 2016-4, Class D 2.74%, 12/8/22	1,365	1,344
AmeriCredit Automobile Receivables Trust Series 2017-1, Class C 2.71%, 8/18/22	225	222
AmeriCredit Automobile Receivables Trust Series 2017-1, Class D 3.13%, 1/18/23	925	917
AmeriCredit Automobile Receivables Trust Series 2017-3, Class B 2.24%, 6/19/23	265	260
AmeriCredit Automobile Receivables Trust Series 2017-3, Class C 2.69%, 6/19/23	280	275
ARI Fleet Lease Trust Series 2015-A, Class A3 1.67%, 9/15/23 (1)	391	390
ARI Fleet Lease Trust Series 2016-A, Class A2 1.82%, 7/15/24 (1)	159	159
ARI Fleet Lease Trust Series 2017-A, Class A2 1.91%, 4/15/26 (1)	163	163
ARI Fleet Lease Trust Series 2018-A, Class A2 2.55%, 10/15/26 (1)	425	423

	Par/Shares	\$ Value
(Amounts in 000s)		
Avis Budget Rental Car Funding Series 2013-1A, Class A 1.92%, 9/20/19 (1)	335	334
Avis Budget Rental Car Funding Series 2013-2A, Class A 2.97%, 2/20/20 (1)	1,011	1,012
Avis Budget Rental Car Funding Series 2013-2A, Class B 3.66%, 2/20/20 (1)	400	401
Avis Budget Rental Car Funding Series 2014-1A, Class A 2.46%, 7/20/20 (1)	225	224
Avis Budget Rental Car Funding Series 2014-2A, Class A 2.50%, 2/20/21 (1)	1,920	1,903
Avis Budget Rental Car Funding Series 2015-1A, Class A 2.50%, 7/20/21 (1)	600	591
BMW Vehicle Lease Trust Series 2016-2, Class A3 1.43%, 9/20/19	311	309
BMW Vehicle Lease Trust Series 2017-1, Class A3 1.98%, 5/20/20	675	671
California Republic Auto Receivables Trust Series 2015-1, Class B 2.51%, 2/16/21	195	194
Capital Auto Receivables Asset Trust, Series 2015-3, Class A3 1.94%, 1/21/20	203	203
Capital Auto Receivables Asset Trust, Series 2016-1, Class A3 1.73%, 4/20/20	139	139
Capital Auto Receivables Asset Trust, Series 2016-2, Class A4 1.63%, 1/20/21	280	277
Capital Auto Receivables Asset Trust, Series 2016-3, Class A3 1.54%, 8/20/20	119	118
Capital Auto Receivables Asset Trust, Series 2017-1, Class B 2.43%, 5/20/22 (1)	110	108
Capital Auto Receivables Asset Trust, Series 2017-1, Class C 2.70%, 9/20/22 (1)	175	172
CarMax Auto Owner Trust Series 2014-4, Class A4 1.81%, 7/15/20	203	203
CarMax Auto Owner Trust Series 2015-3, Class D 3.27%, 3/15/22	320	320
CarMax Auto Owner Trust Series 2016-1, Class A3 1.61%, 11/16/20	572	568
CarMax Auto Owner Trust Series 2016-4, Class A3 1.40%, 8/15/21	235	232
CarMax Auto Owner Trust Series 2017-4, Class C 2.70%, 10/16/23	150	147

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Chrysler Capital Auto Receivables Trust Series 2016-BA, Class A3 1.64%, 7/15/21 (1)	181	180
Enterprise Fleet Financing Series 2016-1, Class A2 1.83%, 9/20/21 (1)	487	486
Enterprise Fleet Financing Series 2016-2, Class A2 1.74%, 2/22/22 (1)	205	204
Enterprise Fleet Financing Series 2017-1, Class A2 2.13%, 7/20/22 (1)	198	197
Enterprise Fleet Financing Series 2017-2, Class A2 1.97%, 1/20/23 (1)	259	258
Enterprise Fleet Financing Series 2017-3, Class A2 2.13%, 5/22/23 (1)	1,155	1,144
Ford Credit Auto Lease Trust Series 2017-A, Class A4 2.02%, 6/15/20	460	457
Ford Credit Auto Owner Trust Series 2015-C, Class A3 1.41%, 2/15/20	271	270
Ford Credit Floorplan Master Owner Trust, Series 2016-3 Class B 1.75%, 7/15/21	285	282
Ford Credit Floorplan Master Owner Trust, Series 2017-2 Class B 2.34%, 9/15/22	2,260	2,221
GM Financial Automobile Leasing Trust, Series 2016-1 Class A3 1.64%, 7/20/19	249	249
GM Financial Automobile Leasing Trust, Series 2017-1 Class A4 2.26%, 8/20/20	110	109
GM Financial Automobile Leasing Trust, Series 2017-3 Class A4 2.12%, 9/20/21	125	123
GM Financial Automobile Leasing Trust, Series 2017-3 Class C 2.73%, 9/20/21	200	198
GM Financial Automobile Leasing Trust, Series 2018-1 Class C 3.11%, 12/20/21	295	293
GM Financial Automobile Leasing Trust, Series 2018-1 Class D 3.37%, 10/20/22	720	715
GM Financial Automobile Leasing Trust, Series 2018-2 Class C 3.50%, 4/20/22	325	325

	Par/Shares	\$ Value
(Amounts in 000s)		
GM Financial Consumer Automobile Receivables Trust Series 2017-3A, Class B 2.33%, 3/16/23 (1)	760	741
GM Financial Consumer Automobile Receivables Trust Series 2017-3A, Class C 2.52%, 3/16/23 (1)	895	873
GMF Floorplan Owner Revolving Trust, Series 2016-1, Class B 2.41%, 5/17/21 (1)	150	149
GMF Floorplan Owner Revolving Trust, Series 2016-1, Class C 2.85%, 5/17/21 (1)	100	99
GMF Floorplan Owner Revolving Trust, Series 2017-1, Class C 2.97%, 1/18/22 (1)	1,238	1,232
GMF Floorplan Owner Revolving Trust, Series 2017-3, Class B 2.26%, 8/16/21 (1)	1,245	1,235
GMF Floorplan Owner Revolving Trust, Series 2017-3, Class C 2.46%, 8/16/21 (1)	1,245	1,232
Hyundai Auto Lease Securitization Trust Series 2016-A, Class A3 1.60%, 7/15/19 (1)	46	46
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	462
Hyundai Auto Receivables Trust Series 2017-A, Class B 2.38%, 4/17/23	220	216
Nissan Auto Lease Trust Series 2016-B, Class A4 1.61%, 1/18/22	435	432
Nissan Auto Lease Trust Series 2017-B, Class A4 2.17%, 12/15/21	915	904
Santander Drive Auto Receivables Trust Series 2014-3, Class D 2.65%, 8/17/20	74	74
Santander Drive Auto Receivables Trust Series 2015-3, Class D 3.49%, 5/17/21	700	705
Santander Drive Auto Receivables Trust Series 2015-4, Class C 2.97%, 3/15/21	365	365
Santander Drive Auto Receivables Trust Series 2015-4, Class D 3.53%, 8/16/21	355	357

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Santander Drive Auto Receivables Trust, Series 2015-5, Class C 2.74%, 12/15/21	852	852
Santander Drive Auto Receivables Trust, Series 2015-5, Class D 3.65%, 12/15/21	485	488
Santander Drive Auto Receivables Trust, Series 2016-1, Class B 2.47%, 12/15/20	119	120
Santander Drive Auto Receivables Trust, Series 2016-1, Class D 4.02%, 4/15/22	300	304
Santander Drive Auto Receivables Trust, Series 2016-3, Class C 2.46%, 3/15/22	202	201
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	94
Santander Drive Auto Receivables Trust, Series 2017-3, Class B 2.19%, 3/15/22	395	391
Santander Drive Auto Receivables Trust, Series 2018-1, Class C 2.96%, 3/15/24	185	183
Santander Retail Auto Lease Trust, Series 2017-A, Class A3 2.22%, 1/20/21 (1)	290	287
Santander Retail Auto Lease Trust, Series 2017-A, Class C 2.96%, 11/21/22 (1)	240	237
SMART ABS Trust Series 2015-3US, Class A3A 1.66%, 8/14/19	85	85
SMART ABS Trust Series 2016-2US, Class A2A 1.45%, 8/14/19	201	201
Wheels SPV 2, Series 2016-1A Class A2 1.59%, 5/20/25 (1)	78	77
World Omni Auto Lease Securitization Trust, Series 2016-A, Class A3 1.45%, 8/15/19	775	772
World Omni Auto Lease Securitization Trust, Series 2017-A, Class A4 2.32%, 8/15/22	180	178

	Par/Shares	\$ Value
(Amounts in 000s)		
World Omni Auto Lease Securitization Trust, Series 2018-A, Class B 3.06%, 5/15/23	200	199
		42,041
Credit Card 0.3%		
Synchrony Credit Card Master Note Trust, Series 2015-1 Class B 2.64%, 3/15/23	395	391
Synchrony Credit Card Master Note Trust, Series 2016-2 Class C 2.95%, 5/15/24	815	800
		1,191
Other Asset-Backed Securities 5.9%		
Allegro III, Series 2015-1A Class AR, CLO, FRN 3M USD LIBOR + 0.84% 3.20%, 7/25/27 (1)	900	894
Ascentium Equipment Receivables, Series 2016-2A Class A2 1.46%, 4/10/19 (1)	23	23
Ascentium Equipment Receivables, Series 2017-1A Class A2 1.87%, 7/10/19 (1)	122	122
Ascentium Equipment Receivables, Series 2017-1A Class A3 2.29%, 6/10/21 (1)	225	223
Barings, Series 2013-1A Class AR, CLO, FRN 3M USD LIBOR + 0.80% 3.159%, 1/20/28 (1)	1,125	1,118
BlueMountain, Series 2015-2A Class A1R, CLO, FRN 3M USD LIBOR + 0.93%, 3.26%, 7/18/27 (1)	1,100	1,100
Carlyle Global Market Strategies Series 2015-1A, Class AR CLO, FRN 3M USD LIBOR + 1.00% 3.359%, 4/20/27 (1)	615	615
CCG Receivables Trust, Series 2015-1, Class B 2.60%, 1/17/23 (1)	530	529
CCG Receivables Trust, Series 2016-1, Class A2 1.69%, 9/14/22 (1)	114	113
CNH Equipment Trust, Series 2015-B, Class A3 1.37%, 7/15/20	109	109
CNH Equipment Trust, Series 2016-C, Class A3 1.44%, 12/15/21	410	404

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Diamond Resorts Owner Trust Series 2013-2, Class A 2.27%, 5/20/26 (1)	77	77
Diamond Resorts Owner Trust Series 2014-1, Class A 2.54%, 5/20/27 (1)	81	81
Diamond Resorts Owner Trust Series 2015-1, Class A 2.73%, 7/20/27 (1)	64	64
Diamond Resorts Owner Trust Series 2015-2, Class A 2.99%, 5/22/28 (1)	98	98
Elara HGV Timeshare Issuer Series 2014-A, Class A 2.53%, 2/25/27 (1)	31	30
Elara HGV Timeshare Issuer Series 2017-A, Class A 2.69%, 3/25/30 (1)	274	268
Galaxy XXIX, Series 2018-29A Class A, CLO, FRN 3M USD LIBOR + 0.79% 3.12%, 11/15/26 (1)	1,710	1,708
GreatAmerica Leasing Receivables, Series 2016-1 Class A3 1.73%, 6/20/19 (1)	462	461
GreatAmerica Leasing Receivables, Series 2017-1 Class A2 1.72%, 4/22/19 (1)	35	35
GreatAmerica Leasing Receivables, Series 2017-1 Class A3 2.06%, 6/22/20 (1)	100	99
GreatAmerica Leasing Receivables Funding, Series 2018-1, Class A3 2.60%, 6/15/21 (1)	280	278
Halcyon Loan Advisors Funding Series 2014-3A, Class B1R CLO, FRN 3M USD LIBOR + 1.70% 4.062%, 10/22/25 (1)	505	505
Hardee's Funding Series 2018-1A, Class AI 4.25%, 6/20/48 (1)	450	451
Hilton Grand Vacations Trust Series 2014-AA, Class A 1.77%, 11/25/26 (1)	581	572
Hilton Grand Vacations Trust Series 2017-AA, Class A 2.66%, 12/26/28 (1)	242	238
Hilton Grand Vacations Trust Series 2017-AA, Class B, VR 2.96%, 12/26/28 (1)	84	82
John Deere Owner Trust Series 2016-A, Class A3 1.36%, 4/15/20	303	302

	Par/Shares	\$ Value
(Amounts in 000s)		
KKR, Series 2012, Class A1R CLO, FRN 3M USD LIBOR + 1.05% 3.398%, 7/15/27 (1)	1,025	1,025
Kubota Credit Owner Trust Series 2016-1A, Class A3 1.50%, 7/15/20 (1)	234	232
Madison Park Funding XIV Series 2014-14A, Class A2R CLO, FRN 3M USD LIBOR + 1.12% 3.479%, 7/20/26 (1)	700	700
Madison Park Funding XVIII Series 2015-18A, Class A1R CLO, FRN 3M USD LIBOR + 1.19% 3.552%, 10/21/30 (1)	1,175	1,177
Magnetite XVI, Series 2015-16A Class AR, CLO, FRN 3M USD LIBOR + 0.80% 3.155%, 1/18/28 (1)	1,510	1,503
MMAF Equipment Finance Series 2017-AA, Class A2 1.73%, 5/18/20 (1)	156	155
MVW Owner Trust Series 2013-1A, Class A 2.15%, 4/22/30 (1)	415	407
MVW Owner Trust Series 2014-1A, Class A 2.25%, 9/22/31 (1)	47	46
MVW Owner Trust Series 2015-1A, Class A 2.52%, 12/20/32 (1)	314	306
MVW Owner Trust Series 2017-1A, Class A 2.42%, 12/20/34 (1)	151	147
MVW Owner Trust Series 2017-1A, Class B 2.75%, 12/20/34 (1)	86	84
MVW Owner Trust Series 2017-1A, Class C 2.99%, 12/20/34 (1)	142	138
Neuberger Berman Series 2015-19A, Class A1R2 CLO, FRN 3M USD LIBOR + 0.80% 3.148%, 7/15/27 (1)	1,105	1,104
Neuberger Berman Series 2017-16SA, Class A CLO, FRN 3M USD LIBOR + 0.85% 3.198%, 1/15/28 (1)	675	673
OCP, Series 2015-10A, Class A1R, CLO, FRN 3M USD LIBOR + 0.82% 3.182%, 10/26/27 (1)	1,035	1,033
OZLM VIII, Series 2014-8A Class A1AR, CLO, FRN 3M USD LIBOR + 1.13% 3.483%, 10/17/26 (1)	795	795

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Sierra Receivables Funding Series 2017-1A, Class A 2.91%, 3/20/34 (1)	187	186
Sierra Timeshare Receivables Funding, Series 2014-2A Class A, VR 2.05%, 6/20/31 (1)	20	20
Sierra Timeshare Receivables Funding, Series 2014-3A Class A 2.30%, 10/20/31 (1)	58	58
Sierra Timeshare Receivables Funding, Series 2015-1A Class A 2.40%, 3/22/32 (1)	271	269
Sierra Timeshare Receivables Funding, Series 2015-2A Class A 2.43%, 6/20/32 (1)	118	117
Sierra Timeshare Receivables Funding, Series 2015-3A Class A 2.58%, 9/20/32 (1)	152	152
Sierra Timeshare Receivables Funding, Series 2016-2A Class A 2.33%, 7/20/33 (1)	122	120
Taco Bell Funding Series 2016-1A, Class A2I 3.832%, 5/25/46 (1)	660	661
Verizon Owner Trust, Series 2016-2A, Class A 1.68%, 5/20/21 (1)	755	747
Verizon Owner Trust, Series 2016-2A, Class C 2.36%, 5/20/21 (1)	405	398
Verizon Owner Trust, Series 2017-1A, Class C 2.65%, 9/20/21 (1)	215	212
Verizon Owner Trust, Series 2017-2A, Class C 2.38%, 12/20/21 (1)	1,235	1,210
Verizon Owner Trust, Series 2017-3A, Class C 2.53%, 4/20/22 (1)	865	848
Verizon Owner Trust, Series 2018-1A, Class C 3.20%, 9/20/22 (1)	340	338
Volvo Financial Equipment Series 2016-1A, Class A3 1.67%, 2/18/20 (1)	183	183
Volvo Financial Equipment Series 2018-1A, Class B 2.91%, 1/17/23 (1)	315	312
Volvo Financial Equipment Master Owner Trust, Series 2017-A, Class A, FRN 1M USD LIBOR + 0.50% 2.573%, 11/15/22 (1)	175	175
		26,130

	Par/Shares	\$ Value
(Amounts in 000s)		
Student Loan 1.4%		
Navient Private Education Refi Loan Trust, Series 2018-A Class A1 2.53%, 2/18/42 (1)	766	760
Nelnet Student Loan Trust Series 2005-4, Class A4, FRN 3M USD LIBOR + 0.18% 2.512%, 3/22/32	675	666
SLM Private Education Loan Trust, Series 2013-A, Class B 2.50%, 3/15/47 (1)	270	268
SLM Student Loan Trust, Series 2008-4, Class A4, FRN 3M USD LIBOR + 1.65% 4.01%, 7/25/22	385	393
SLM Student Loan Trust, Series 2008-5, Class A4, FRN 3M USD LIBOR + 1.70% 4.06%, 7/25/23	346	355
SLM Student Loan Trust, Series 2008-9, Class A, FRN 3M USD LIBOR + 1.50% 3.86%, 4/25/23	241	246
SLM Student Loan Trust, Series 2010-1, Class A, FRN 1M USD LIBOR + 0.40% 2.36%, 3/25/25	757	746
SLM Student Loan Trust, Series 2014-A, Class B 3.50%, 11/15/44 (1)	565	562
SMB Private Education Loan Trust, Series 2014-A Class A2A 3.05%, 5/15/26 (1)	576	575
SMB Private Education Loan Trust, Series 2015-A Class A2B, FRN 1M USD LIBOR + 1.00% 3.073%, 6/15/27 (1)	333	335
SMB Private Education Loan Trust, Series 2016-C Class A2B, FRN 1M USD LIBOR + 1.10% 3.173%, 9/15/34 (1)	1,105	1,120
		6,026
Total Asset-Backed Securities (Cost \$75,999)		75,388
NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 11.0%		
Collateralized Mortgage Obligations 7.1%		
Bayview Mortgage Fund Trust Series 2017-RT3, Class A CMO, ARM 3.50%, 1/28/58 (1)	1,129	1,127

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Bayview Opportunity Master Fund, Series 2017-SPL4 Class A, CMO, ARM 3.50%, 1/28/55 (1)	339	338
Bayview Opportunity Master Fund, Series 2017-SPL5 Class A, CMO, ARM 3.50%, 6/28/57 (1)	991	989
COLT Mortgage Loan Trust, Series 2017-1, Class A1, CMO ARM 2.614%, 5/27/47 (1)	396	395
COLT Mortgage Loan Trust, Series 2017-1, Class A3, CMO ARM 3.074%, 5/27/47 (1)	48	48
COLT Mortgage Loan Trust Series 2017-2, Class A1A CMO, ARM 2.415%, 10/25/47 (1)	631	627
COLT Mortgage Loan Trust Series 2017-2, Class A2A CMO, ARM 2.568%, 10/25/47 (1)	268	266
COLT Mortgage Loan Trust Series 2017-2, Class A3A CMO, ARM 2.773%, 10/25/47 (1)	118	117
COLT Mortgage Loan Trust Series 2018-1, Class A1, CMO ARM 2.93%, 2/25/48 (1)	270	268
COLT Mortgage Loan Trust, Series 2018-1, Class A3, CMO ARM, 3.084%, 2/25/48 (1)	97	96
COLT Mortgage Loan Trust Series 2018-2, Class A1, CMO ARM 3.47%, 7/27/48 (1)	1,320	1,320
COLT Mortgage Loan Trust Series 2018-2, Class A2, CMO ARM 3.542%, 7/27/48 (1)	643	643
Connecticut Avenue Securities Series 2016-C01, Class 2M1 CMO, ARM 1M USD LIBOR + 2.10% 4.191%, 8/25/28	86	87
Connecticut Avenue Securities Series 2016-C07, Class 2M1 CMO, ARM 1M USD LIBOR + 1.30% 3.391%, 5/25/29	182	182
Connecticut Avenue Securities Series 2017-C02, Class 2M1 CMO, ARM 1M USD LIBOR + 1.15% 3.241%, 9/25/29	693	697

	Par/Shares	\$ Value
(Amounts in 000s)		
Connecticut Avenue Securities Series 2017-C03, Class 1M1 CMO, ARM 1M USD LIBOR + 0.95% 3.041%, 10/25/29	743	747
Connecticut Avenue Securities Series 2017-C04, Class 2M1 CMO, ARM 1M USD LIBOR + 0.85% 2.941%, 11/25/29	491	492
Connecticut Avenue Securities Series 2017-C05, Class 1M1 CMO, ARM 1M USD LIBOR + 0.55% 2.641%, 1/25/30	829	829
Connecticut Avenue Securities Series 2017-C06, Class 1M1 CMO, ARM 1M USD LIBOR + 0.75% 2.841%, 2/25/30	623	624
Connecticut Avenue Securities Series 2017-C06, Class 2M1 CMO, ARM 1M USD LIBOR + 0.75% 2.841%, 2/25/30	300	300
Connecticut Avenue Securities Series 2018-C02, Class 2M1 CMO, ARM 1M USD LIBOR + 0.65% 2.741%, 8/25/30	88	88
Connecticut Avenue Securities Series 2018-C03, Class 1M1 CMO, ARM 1M USD LIBOR + 0.68% 2.771%, 10/25/30	809	808
Deephaven Residential Mortgage Trust, Series 2017- 1A, Class A3, CMO, ARM 3.485%, 12/26/46 (1)	139	139
Deephaven Residential Mortgage Trust, Series 2017- 3A, Class A1, CMO, ARM 2.577%, 10/25/47 (1)	650	646
Deephaven Residential Mortgage Trust, Series 2017- 3A, Class A2, CMO, ARM 2.711%, 10/25/47 (1)	70	69
Deephaven Residential Mortgage Trust, Series 2017- 3A, Class A3, CMO, ARM 2.813%, 10/25/47 (1)	70	69
Deephaven Residential Mortgage Trust, Series 2018- 1A, Class A1, CMO, ARM 2.976%, 12/25/57 (1)	535	531
Freddie Mac Whole Loan Securities Trust, Series 2017- SC01, Class M1, CMO, ARM 3.592%, 12/25/46 (1)	294	291

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Freddie Mac Whole Loan Securities Trust, Series 2017-SC02, Class M1, CMO, ARM 3.873%, 5/25/47 (1)	173	173
Galton Funding Mortgage Trust Series 2018-1, Class A33 CMO, ARM 3.50%, 11/25/57 (1)	588	575
Goldman Sachs Mortgage-Backed Securities Trust Series 2014-EB1A, Class 2A1 CMO, ARM 2.466%, 7/25/44 (1)	63	62
MetLife Securitization Trust Series 2017-1A, Class A CMO, ARM 3.00%, 4/25/55 (1)	426	418
Mill City Mortgage Loan Trust Series 2016-1, Class A1, CMO ARM 2.50%, 4/25/57 (1)	135	133
Mill City Mortgage Loan Trust, Series 2017-2, Class A1, CMO ARM 2.75%, 7/25/59 (1)	731	720
Sequoia Mortgage Trust Series 2018-CH1, Class A11 CMO ARM 3.50%, 2/25/48 (1)	1,015	1,025
Sequoia Mortgage Trust Series 2018-CH2, Class A3 CMO, ARM 4.00%, 6/25/48 (1)	1,282	1,294
STACR Trust, Series 2018-DNA2, Class M1, ARM, CMO 1M USD LIBOR + 0.80% 2.857%, 12/25/30 (1)	1,445	1,445
Structured Agency Credit Risk Debt Notes, Series 2017-DNA1, Class M1, CMO, ARM 1M USD LIBOR + 1.20% 3.291%, 7/25/29	426	429
Structured Agency Credit Risk Debt Notes, Series 2017-DNA2, Class M1, CMO, ARM 1M USD LIBOR + 1.20% 3.291%, 10/25/29	935	945
Structured Agency Credit Risk Debt Notes, Series 2017-DNA3, Class M1, CMO, ARM 1M USD LIBOR + 0.75% 2.841%, 3/25/30	1,684	1,688
Structured Agency Credit Risk Debt Notes, Series 2017-HQA1, Class M1, CMO, ARM 1M USD LIBOR + 1.20% 3.291%, 8/25/29	790	795
Structured Agency Credit Risk Debt Notes, Series 2017-HQA2, Class M1, CMO, ARM 1M USD LIBOR + 0.80% 2.891%, 12/25/29	229	230

	Par/Shares	\$ Value
(Amounts in 000s)		
Structured Agency Credit Risk Debt Notes, Series 2017-HQA3, Class M1, CMO, ARM 1M USD LIBOR + 0.55% 2.641%, 4/25/30	231	231
Structured Agency Credit Risk Debt Notes, Series 2017-SPI1 Class M1, CMO, ARM 3.985%, 9/25/47 (1)	80	81
Structured Agency Credit Risk Debt Notes, Series 2018-DNA1, Class M1, CMO, ARM 1M USD LIBOR + 0.45% 2.541%, 7/25/30	441	439
Structured Agency Credit Risk Debt Notes, Series 2018-SPI2 Class M1, CMO, ARM 3.82%, 5/25/48 (1)	320	320
Towd Point Mortgage Trust Series 2015-4, Class A1B CMO, ARM 2.75%, 4/25/55 (1)	458	453
Towd Point Mortgage Trust Series 2015-5, Class A1B CMO, ARM 2.75%, 5/25/55 (1)	378	373
Towd Point Mortgage Trust Series 2016-1, Class A1B CMO, ARM 2.75%, 2/25/55 (1)	207	205
Towd Point Mortgage Trust Series 2016-1, Class A3B CMO, ARM 3.00%, 2/25/55 (1)	270	266
Towd Point Mortgage Trust Series 2016-2, Class A1A CMO, ARM 2.75%, 8/25/55 (1)	176	173
Towd Point Mortgage Trust Series 2017-1, Class A1, CMO ARM 2.75%, 10/25/56 (1)	610	598
Towd Point Mortgage Trust Series 2017-2, Class A1, CMO ARM 2.75%, 4/25/57 (1)	381	375
Towd Point Mortgage Trust Series 2017-3, Class A1, CMO ARM 2.75%, 7/25/57 (1)	845	826
Towd Point Mortgage Trust Series 2017-4, Class A1, CMO ARM 2.75%, 6/25/57 (1)	550	537
Towd Point Mortgage Trust Series 2017-6, Class A1, CMO ARM 2.75%, 10/25/57 (1)	1,630	1,589

	Par/Shares	\$ Value
(Amounts in 000s)		
Towd Point Mortgage Trust		
Series 2018-1, Class A1, CMO		
ARM		
3.00%, 1/25/58 (1)	324	319
Towd Point Mortgage Trust		
Series 2018-2, Class A1, CMO		
ARM		
3.25%, 3/25/58 (1)	1,729	1,712
Verus Securitization Trust		
Series 2018-1, Class A1, CMO		
ARM		
2.929%, 2/25/48 (1)	257	254
		31,516
Commercial Mortgage-Backed Securities 3.9%		
Banc of America Commercial		
Mortgage Trust, Series 2017-		
BNK3, Class A1		
1.957%, 2/15/50	129	127
BX Trust, Series 2017-IMC		
Class B, ARM		
1M USD LIBOR + 1.40%		
3.473%, 10/15/32 (1)	1,100	1,100
BX Trust, Series 2017-IMC		
Class D, ARM		
1M USD LIBOR + 2.25%		
4.323%, 10/15/32 (1)	345	345
CD Mortgage Trust, Series 2017-		
CD3, Class A1		
1.965%, 2/10/50	133	131
Citigroup Commercial Mortgage		
Trust, Series 2013-GC17		
Class A1		
1.102%, 11/10/46	22	22
Citigroup Commercial Mortgage		
Trust, Series 2014-GC25		
Class A1		
1.485%, 10/10/47	8	8
Citigroup Commercial Mortgage		
Trust, Series 2015-GC27		
Class A1		
1.353%, 2/10/48	96	95
Citigroup Commercial Mortgage		
Trust, Series 2015-GC31		
Class A1		
1.637%, 6/10/48	289	285
Citigroup Commercial Mortgage		
Trust, Series 2015-GC33		
Class A1		
1.643%, 9/10/58	560	553
CLNS Trust, Series 2017-IKPR		
Class A, ARM		
1M USD LIBOR + 0.80%		
2.846%, 6/11/32 (1)	340	340
CLNS Trust, Series 2017-IKPR		
Class B, ARM		
1M USD LIBOR + 1.00%		
3.046%, 6/11/32 (1)	565	564
Commercial Mortgage PTC		
Series 2014-CR19, Class A1		
1.415%, 8/10/47	39	39

	Par/Shares	\$ Value
(Amounts in 000s)		
Commercial Mortgage PTC		
Series 2014-CR21, Class A1		
1.494%, 12/10/47	33	33
Commercial Mortgage PTC		
Series 2014-LC15, Class A1		
1.259%, 4/10/47	42	42
Commercial Mortgage PTC		
Series 2014-LC17, Class A1		
1.381%, 10/10/47	16	16
Commercial Mortgage PTC		
Series 2014-TWC, Class A		
ARM		
1M USD LIBOR + 0.85%		
2.896%, 2/13/32 (1)	130	130
Commercial Mortgage PTC		
Series 2014-UBS2, Class A1		
1.298%, 3/10/47	34	34
Commercial Mortgage PTC		
Series 2014-UBS4, Class A1		
1.309%, 8/10/47	4	4
Commercial Mortgage PTC		
Series 2015-CR22, Class A1		
1.569%, 3/10/48	54	54
Commercial Mortgage PTC		
Series 2015-CR24, Class A1		
1.652%, 8/10/48	62	62
Commercial Mortgage PTC		
Series 2015-CR26, Class A1		
1.604%, 10/10/48	1,256	1,242
Commercial Mortgage PTC		
Series 2015-LC23, Class A2		
3.221%, 10/10/48	1,025	1,027
Commercial Mortgage PTC		
Series 2015-PC1, Class A1		
1.667%, 7/10/50	280	279
Commercial Mortgage PTC		
Series 2016-CR28, Class A1		
1.77%, 2/10/49	198	195
CSAIL Commercial Mortgage		
Trust, Series 2015-C1		
Class A1		
1.684%, 4/15/50	106	105
CSAIL Commercial Mortgage		
Trust, Series 2015-C2		
Class A1		
1.454%, 6/15/57	309	307
CSAIL Commercial Mortgage		
Trust, Series 2015-C3		
Class A1		
1.717%, 8/15/48	129	128
CSAIL Commercial Mortgage		
Trust, Series 2016-C5		
Class A1		
1.747%, 11/15/48	187	184
Goldman Sachs Mortgage		
Securities Trust, Series 2014-		
GC24, Class A1		
1.509%, 9/10/47	66	65

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Goldman Sachs Mortgage Securities Trust, Series 2015-GC28, Class A1 1.528%, 2/10/48	296	293
Goldman Sachs Mortgage Securities Trust, Series 2015-GC32, Class A1 1.593%, 7/10/48	117	116
Goldman Sachs Mortgage Securities Trust, Series 2016-GS3, Class A1 1.429%, 10/10/49	101	98
Great Wolf Trust, Series 2017-WOLF, Class A, ARM 1M USD LIBOR + 0.85% 3.073%, 9/15/34 (1)	985	986
Great Wolf Trust, Series 2017-WOLF, Class C, ARM 1M USD LIBOR + 1.32% 3.543%, 9/15/34 (1)	905	906
Hospitality Mortgage Trust Series 2017-HIT, Class A ARM 1M USD LIBOR + 0.85% 2.88%, 5/8/30 (1)	610	610
InTown Hotel Portfolio Trust, Series 2018-STAY, Class A ARM 1M USD LIBOR + 0.70% 2.773%, 1/15/33 (1)	175	175
InTown Hotel Portfolio Trust Series 2018-STAY, Class C ARM 1M USD LIBOR + 1.25% 3.323%, 1/15/33 (1)	145	145
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Trust, Series 2014-C22, Class A1 1.451%, 9/15/47	7	7
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Trust, Series 2014-C23, Class A1 1.65%, 9/15/47	7	7
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Trust, Series 2014-C26, Class A1 1.596%, 1/15/48	125	124
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Trust, Series 2015-C27, Class A1 1.414%, 2/15/48	202	200
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Trust, Series 2015-C28, Class A1 1.445%, 10/15/48	90	90

	Par/Shares	\$ Value
(Amounts in 000s)		
JPMorgan Chase Commercial Mortgage Securities Trust Series 2011-C4, Class A4 4.388%, 7/15/46 (1)	425	436
JPMorgan Chase Commercial Mortgage Securities Trust Series 2014-C20, Class A1 1.268%, 7/15/47	16	16
JPMorgan Chase Commercial Mortgage Securities Trust Series 2016-JP3, Class A1 1.462%, 8/15/49	299	292
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C16, Class A1 1.294%, 6/15/47	13	13
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C17, Class A1 1.551%, 8/15/47	2	2
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C19, Class A1 1.573%, 12/15/47	111	110
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C24, Class A1 1.706%, 5/15/48	196	194
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2016-C30, Class A1 1.389%, 9/15/49	172	168
Morgan Stanley Capital I Trust Series 2015-MS1, Class A1 1.638%, 5/15/48	194	191
Morgan Stanley Capital I Trust Series 2017-CLS, Class B ARM 1M USD LIBOR + 0.85% 2.923%, 11/15/34 (1)	560	560
Morgan Stanley Capital I Trust Series 2017-CLS, Class C ARM 1M USD LIBOR + 1.00% 3.073%, 11/15/34 (1)	450	450
RETL, Series 2018-RVP, Class A ARM 1M USD LIBOR + 1.10% 3.173%, 3/15/33 (1)	405	407
Wells Fargo Commercial Mortgage Trust, Series 2013-LC12, Class A1 1.676%, 7/15/46	226	226
Wells Fargo Commercial Mortgage Trust, Series 2014-LC18, Class A1 1.437%, 12/15/47	155	153
Wells Fargo Commercial Mortgage Trust, Series 2015-C26, Class A1 1.454%, 2/15/48	135	133

	Par/Shares	\$ Value
(Amounts in 000s)		
Wells Fargo Commercial Mortgage Trust, Series 2015- C28, Class A1 1.531%, 5/15/48	84	83
Wells Fargo Commercial Mortgage Trust, Series 2015- LC20, Class A1 1.471%, 4/15/50	139	137
Wells Fargo Commercial Mortgage Trust, Series 2015- NXS1, Class A1 1.342%, 5/15/48	94	93
Wells Fargo Commercial Mortgage Trust, Series 2015- NXS2, Class A2 3.02%, 7/15/58	640	640
Wells Fargo Commercial Mortgage Trust, Series 2016- C32, Class A1 1.577%, 1/15/59	625	616
Wells Fargo Commercial Mortgage Trust, Series 2016- LC24, Class A1 1.441%, 10/15/49	164	161
WF-RBS Commercial Mortgage Trust, Series 2014-C23 Class A1 1.663%, 10/15/57	765	761
		17,115
Total Non-U.S. Government Mortgage-Backed Securities (Cost \$49,034)		48,631

U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 6.8%

U.S. Government Agency Obligations 5.3% (3)

Federal Home Loan Bank 2.625%, 5/28/20	3,310	3,311
Federal Home Loan Mortgage 2.059%, 3/25/20	231	230
3.50%, 3/1/46	1,374	1,374
5.00%, 10/1/18 - 7/1/25	112	116
5.50%, 4/1/23 - 10/1/38	35	36
6.00%, 12/1/19 - 1/1/38	202	220
Federal Home Loan Mortgage, ARM 12M USD LIBOR + 1.591%		
3.341%, 9/1/35	9	9
12M USD LIBOR + 1.723%		
3.473%, 1/1/36	2	3
1Y CMT + 2.25%, 3.53%, 10/1/36	6	6
12M USD LIBOR + 1.815%		
3.564%, 1/1/37	5	6
1Y CMT + 2.245%, 3.59%, 1/1/36	27	29
12M USD LIBOR + 1.742%		
3.616%, 2/1/37	8	8
12M USD LIBOR + 1.75%, 3.619%		
2/1/35	17	18

	Par/Shares	\$ Value
(Amounts in 000s)		
12M USD LIBOR + 1.90%, 3.65% 11/1/35	2	2
12M USD LIBOR + 1.966% 3.709%, 11/1/36	4	4
12M USD LIBOR + 1.625% 3.862%, 4/1/37	25	26
12M USD LIBOR + 1.625% 3.895%, 7/1/38	18	19
12M USD LIBOR + 2.076% 4.048%, 2/1/38	34	36
12M USD LIBOR + 1.776% 4.084%, 5/1/38	28	30
12M USD LIBOR + 1.625% 4.088%, 6/1/38	45	47
12M USD LIBOR + 1.775% 4.184%, 5/1/37	15	16
12M USD LIBOR + 1.733% 4.237%, 10/1/36	31	33
12M USD LIBOR + 1.726% 4.459%, 7/1/35	8	8
Federal Home Loan Mortgage, CMO 2.00%, 2/15/40	305	296
4.00%, 11/15/36	224	228
Federal National Mortgage Assn. 3.00%, 1/1/27	440	440
3.50%, 11/1/26 - 1/1/46	3,612	3,652
4.00%, 6/1/33 - 11/1/43	954	977
4.50%, 6/1/19 - 2/1/45	2,892	3,022
5.00%, 7/1/19 - 10/1/41	2,553	2,733
5.50%, 3/1/19 - 5/1/40	1,182	1,274
6.00%, 9/1/21 - 4/1/40	1,089	1,193
6.50%, 7/1/32 - 12/1/32	140	157
Federal National Mortgage Assn., ARM 12M USD LIBOR + 1.34%, 3.09% 12/1/35	2	2
12M USD LIBOR + 1.587% 3.337%, 12/1/35	9	10
12M USD LIBOR + 1.794% 3.544%, 1/1/34	14	15
12M USD LIBOR + 1.892% 3.642%, 12/1/35	3	3
12M USD LIBOR + 1.77%, 3.645% 12/1/35	3	3
12M USD LIBOR + 2.04%, 3.79% 12/1/36	12	13
12M USD LIBOR + 1.655% 3.802%, 8/1/37	18	18
12M USD LIBOR + 1.594% 3.859%, 7/1/36	24	25
12M USD LIBOR + 1.853% 3.907%, 8/1/38	14	15
12M USD LIBOR + 1.788% 4.033%, 5/1/38	20	21
12M USD LIBOR + 1.573% 4.067%, 7/1/35	5	5
12M USD LIBOR + 1.75%, 4.125% 9/1/36	—	—

	Par/Shares	\$ Value
(Amounts in 000s)		
12M USD LIBOR + 1.83%, 4.181%		
4/1/38	32	33
12M USD LIBOR + 1.852%		
4.199%, 5/1/38	38	40
Federal National Mortgage Assn. CMO		
4.00%, 6/25/44	967	988
Federal National Mortgage Assn., CMO, ARM		
1M USD LIBOR + 0.30%, 2.391%		
11/25/47	1,416	1,418
1M USD LIBOR + 0.50%, 2.591%		
11/25/46	1,854	1,873
		24,041
U.S. Government Obligations 1.5%		
Government National Mortgage Assn.		
3.50%, 3/20/43 - 2/20/48	240	242
4.00%, 2/20/48 - 5/20/48	771	791
5.00%, 12/20/34 - 7/20/48	3,864	4,069
5.50%, 2/20/34	771	841
		5,943
Total U.S. Government & Agency Mortgage-Backed Securities (Cost \$30,290)		29,984
U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 10.1%		
U.S. Government Agency Obligations 1.1% (3)		
Federal National Mortgage Assn.		
1.50%, 7/30/20	5,065	4,955
		4,955
U.S. Treasury Obligations 9.0%		
U.S. Treasury Notes		
1.375%, 5/31/21	5,145	4,965
U.S. Treasury Notes		
1.50%, 6/15/20 (4)	9,815	9,622
U.S. Treasury Notes		
1.625%, 11/30/20	6,640	6,491
U.S. Treasury Notes		
1.875%, 12/15/20	5,520	5,427
U.S. Treasury Notes		
2.25%, 2/29/20	6,635	6,607
U.S. Treasury Notes		
2.25%, 3/31/20	2,170	2,160
U.S. Treasury Notes		
2.375%, 4/30/20	4,320	4,308
		39,580
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost \$45,317)		44,535

	Par/Shares	\$ Value
(Amounts in 000s)		
FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 1.3%		
Owned No Guarantee 1.3%		
China Overseas Finance Cayman VI		
4.25%, 5/8/19	650	655
China Shenhua Overseas Capital		
3.125%, 1/20/20	930	923
CNAC HK Finbridge		
4.125%, 3/14/21	535	534
Eastern Creation II Investment Holdings		
2.75%, 9/26/20	400	392
Petroleos Mexicanos		
8.00%, 5/3/19	1,060	1,101
Sberbank of Russia		
3.08%, 3/7/19 (EUR)	200	237
State Grid Overseas Investment		
2.25%, 5/4/20 (1)	1,485	1,457
Syngenta Finance		
3.698%, 4/24/20 (1)	650	648
		5,947
Total Foreign Government Obligations & Municipalities (Cost \$5,992)		5,947

MUNICIPAL SECURITIES 0.2%

Florida 0.2%		
State Board of Administration Fin. Corp., Series A		
2.163%, 7/1/19	840	835
		835
Total Municipal Securities (Cost \$840)		835

SHORT-TERM INVESTMENTS 3.3%**Certificates of Deposit 0.2%**

Yankee 0.2% (5)		
Intesa Sanpaolo		
2.10%, 9/27/18	1,150	1,149
		1,149

Commercial Paper 1.2%

4(2) 1.2% (6)		
Ford Motor Credit		
1.978%, 2/19/19	1,190	1,169
Humana		
2.685%, 8/14/18	1,200	1,196
Sherwin-Williams		
2.251%, 8/15/18	1,200	1,197

	Par/Shares	\$ Value
(Amounts in 000s)		
Syngenta Wilmington		
3.698%, 8/15/18	1,635	1,630
		5,192

	Par/Shares	\$ Value
(Amounts in 000s)		
Money Market Funds 1.9%		
T. Rowe Price Government Reserve		
Fund, 1.91% (7)(8)	8,238	8,238
		8,238

Total Short-Term Investments
(Cost \$14,577) **14,579**

Total Investments in Securities

100.5% of Net Assets (Cost \$447,598) **\$ 443,691**

‡ Par/Shares and Notional Amount 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 June 30, 2018 amounts to \$126,859 and represents 28.7% of net assets.
 - (2) Security is a fix-to-float security, which carries a fixed coupon until a certain date, upon which it switches to a floating rate. Reference rate and spread is provided if the rate is currently floating.
 - (3) 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.
 - (4) At June 30, 2018, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
 - (5) Yankee certificates of deposit are issued by U.S. branches of foreign banks.
 - (6) 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 \$5,192 and represents 1.2% of net assets.
 - (7) Seven-day yield
 - (8) Affiliated Company
- 1M USD LIBOR One month USD LIBOR (London interbank offered rate)
- 1Y CMT One year U.S. Treasury note constant maturity rate
- 3M USD LIBOR Three month USD LIBOR (London interbank offered rate)
- 12M USD LIBOR Twelve month USD LIBOR (London interbank offered rate)
- ARM Adjustable Rate Mortgage (ARM); rate shown is effective rate at period-end. The rates for certain ARMs are not based on a published reference rate and spread but may be determined using a formula-based on the rates of the underlying loans
- CLO Collateralized Loan Obligation
- CMO Collateralized Mortgage Obligation
- EUR Euro
- FRN Floating Rate Note
- PTC Pass-Through Certificate
- STEP Stepped coupon bond for which the coupon rate of interest adjusts on specified date(s); rate shown is effective rate at period-end.
- USD U.S. Dollar
- VR Variable Rate; rate shown is effective rate at period-end. The rates for certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and based on current market conditions.

(Amounts in 000s, except market price)

SWAPS 0.0%

Description	Notional Amount	Value	Upfront Payments/ (Receipts)	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, \$100.57*), Receive 1.00% Quarterly, Pay upon credit default 12/20/18	340\$	1	\$ —	\$ 1
Total Bilateral Credit Default Swaps, Protection Sold			—	1
Total Bilateral Swaps			\$ —	\$ 1

* Market price at June 30, 2018

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Citibank	8/24/18	USD	109	EUR	90 \$	3
JPMorgan Chase	8/24/18	USD	139	EUR	116	3
Net unrealized gain (loss) on open forward currency exchange contracts					\$	6

Futures Contracts

(\$000s)

Description	Expiration Date	Notional Amount	Value and Unrealized Gain (Loss)	
Long, 68 U.S. Treasury Notes five year contracts	9/18	7,726	\$	14
Short, 19 U.S. Treasury Notes ten year contracts	9/18	(2,284)		(10)
Long, 383 U.S. Treasury Notes two year contracts	9/18	81,130		44
Net payments (receipts) of variation margin to date				(63)
Variation margin receivable (payable) on open futures contracts			\$	(15)

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 that 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, 2018. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 59
Totals	\$ — [#]	\$ —	\$ 59 ⁺

Supplementary Investment Schedule

Affiliate	Value 12/31/17	Purchase Cost	Sales Cost	Value 6/30/18
T. Rowe Price Government Reserve Fund	\$ 3,392	□	□ \$	8,238
			\$	8,238 [^]

Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

+ Investment income comprised \$59 of dividend income and \$0 of interest income.

□ Purchase and sale information not shown for cash management funds.

^ The cost basis of investments in affiliated companies was \$8,238.

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

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$447,598)	\$	443,691
Interest receivable		2,195
Cash		404
Receivable for investment securities sold		184
Receivable for shares sold		110
Unrealized gain on forward currency exchange contracts		6
Unrealized gain on bilateral swaps		1
Total assets		<u>446,591</u>

Liabilities

Payable for investment securities purchased		4,604
Investment management and administrative fees payable		247
Payable for shares redeemed		41
Variation margin payable on futures contracts		15
Other liabilities		39
Total liabilities		<u>4,946</u>

NET ASSETS**\$ 441,645****Net Assets Consist of:**

Overdistributed net investment income	\$	(192)
Accumulated undistributed net realized loss		(4,929)
Net unrealized loss		(3,852)
Paid-in capital applicable to 92,434,218 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>450,618</u>

NET ASSETS**\$ 441,645****NET ASSET VALUE PER SHARE****Investor Class**

(\$431,502,638 / 90,303,318 shares outstanding)	\$	<u>4.78</u>
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Class II

(\$10,142,548 / 2,130,900 shares outstanding)	\$	<u>4.76</u>
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The accompanying notes are an integral part of these financial statements.

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/18
Investment Income (Loss)	
Income	
Interest	\$ 5,149
Dividend	59
Total income	5,208
Expenses	
Investment management and administrative expense	1,542
Rule 12b-1 fees – Limited-Term Bond-II Class	12
Total expenses	1,554
Net investment income	3,654
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	(572)
Futures	(579)
Swaps	1
Net realized loss	(1,150)
Change in net unrealized gain / loss	
Securities	(2,535)
Futures	188
Swaps	(2)
Forward currency exchange contracts	10
Change in net unrealized gain / loss	(2,339)
Net realized and unrealized gain / loss	(3,489)
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 165

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

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 3,654	\$ 5,395
Net realized loss	(1,150)	(390)
Change in net unrealized gain / loss	(2,339)	(799)
Increase in net assets from operations	165	4,206
Distributions to shareholders		
Net investment income		
Limited-Term Bond Class	(3,776)	(6,020)
Limited-Term Bond-II Class	(70)	(112)
Decrease in net assets from distributions	(3,846)	(6,132)
Capital share transactions *		
Shares sold		
Limited-Term Bond Class	26,425	88,930
Limited-Term Bond-II Class	6,177	5,475
Distributions reinvested		
Limited-Term Bond Class	3,776	6,011
Limited-Term Bond-II Class	70	112
Shares redeemed		
Limited-Term Bond Class	(38,358)	(40,734)
Limited-Term Bond-II Class	(3,412)	(8,163)
Increase (decrease) in net assets from capital share transactions	(5,322)	51,631
Net Assets		
Increase (decrease) during period	(9,003)	49,705
Beginning of period	450,648	400,943
End of period	\$ 441,645	\$ 450,648
Undistributed (overdistributed) net investment income	(192)	-
 *Share information		
Shares sold		
Limited-Term Bond Class	5,514	18,370
Limited-Term Bond-II Class	1,295	1,135
Distributions reinvested		
Limited-Term Bond Class	789	1,242
Limited-Term Bond-II Class	15	23
Shares redeemed		
Limited-Term Bond Class	(8,006)	(8,417)
Limited-Term Bond-II Class	(716)	(1,692)
Increase (decrease) in shares outstanding	(1,109)	10,661

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price 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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost 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, are recorded as income tax expense. 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.

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 respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. 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 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 Portfolio–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 March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

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 and 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; 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. Forward currency exchange contracts are valued using the prevailing forward exchange rate and are categorized in Level 2 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, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
Assets				
Fixed Income Securities ¹	\$ -	\$ 429,112	\$ -	\$ 429,112
Short-Term Investments	8,238	6,341	-	14,579
Total Securities	8,238	435,453	-	443,691
Swaps	-	1	-	1
Forward Currency Exchange Contracts	-	6	-	6
Total	\$ 8,238	\$ 435,460	\$ -	\$ 443,698
Liabilities				
Futures Contracts	\$ 15	\$ -	\$ -	\$ 15
Total	\$ 15	\$ -	\$ -	\$ 15

¹Includes Corporate Bonds, Asset-Backed Securities, Non-U.S. Government Mortgage-Backed Securities, U.S. Government & Agency Mortgage-Backed Securities, U.S. Government Agency Obligations (Excluding Mortgage-Backed), Foreign Government Obligations & Municipalities, Municipal Securities.

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2018.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2018, 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, 2018, 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*	\$ 58
Foreign exchange derivatives	Forwards	6
Credit derivatives	Bilateral Swaps, and Premiums	1
Total		<u>\$ 65</u>
Liabilities		
Interest rate derivatives	Futures*	\$ 10
Total		<u>\$ 10</u>

*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, 2018, 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		Forward Currency Exchange Contracts		Swaps		Total
Realized Gain (Loss)							
Interest rate derivatives	\$	(579)	\$	-	\$	-	\$ (579)
Credit derivatives		-		-		1	1
Total	\$	(579)	\$	-	\$	1	\$ (578)
Change in Unrealized Gain/Loss							
Interest rate derivatives	\$	188	\$	-	\$	-	\$ 188
Foreign exchange derivatives				10		-	10
Credit derivatives		-		-		(2)	(2)
Total	\$	188	\$	10	\$	(2)	\$ 196

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. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were traded, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of June 30, 2018, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2018, securities valued at \$243,000 had been posted by the fund for exchange-traded and/or centrally cleared 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. 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, 2018, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally less than 1% of net assets.

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, 2018, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 19% and 25% 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 both long and short 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, 2018, 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, 2018, 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 \$98,051,000 and \$86,361,000, respectively, for the six months ended June 30, 2018. Purchases and sales of U.S. government securities aggregated \$40,196,000 and \$44,931,000, respectively, for the six months ended June 30, 2018.

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, 2018, the cost of investments for federal income tax purposes was \$447,598,000. Net unrealized loss aggregated \$3,852,000 at period-end, of which \$340,000 related to appreciated investments and \$4,192,000 related to depreciated investments.

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, 2017, the fund had \$3,912,000 of available capital loss carryforwards.

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 its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). 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. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. 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, 2018, the fund had no purchases and sales cross trades with other funds or accounts advised by Price Associates.

NOTE 7 - SUBSEQUENT EVENT

Effective July 1, 2018, the fund's all-inclusive annual fee for investment management and administrative services was reduced from 0.70% to 0.50% of average daily net assets.

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), on behalf of the fund. In that regard, at an in-person meeting held on March 5–6, 2018 (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, 2017, 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 Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds, and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

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, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) 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, 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®

100 East Pratt Street
Baltimore, MD 21202

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.



SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

Personal Strategy Balanced Portfolio

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HIGHLIGHTS

- The Personal Strategy Balanced Portfolio returned 0.67% in the first half of its fiscal year and outperformed its combined index portfolio benchmark and Lipper peer group.
- Security selection in the fund's underlying investments contributed the most to relative performance, particularly selection in the U.S. large-cap growth and international developed markets strategies. Tactical decisions detracted from relative returns.
- The fund was overweight international stocks relative to U.S. stocks as of June 30, 2018. We trimmed our overweight in June amid signs of moderating growth, increased trade tensions, and a resurgence in political risk in a few countries.
- We expect global economic growth will moderate in the near term after last year's surprisingly strong performance. The escalating trade battle between the U.S. and its trading partners is a major concern along with other risks, including potential monetary policy missteps, receding liquidity worldwide, and rising political uncertainty in some countries.

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Dear Investor

U.S. stocks recorded decent gains in the first half of 2018, but unlike last year, investors had to absorb some bumps along the way. In February, volatility spiked and the S&P 500 Index briefly tumbled over 10% from its highs, putting it in correction territory. The major U.S. benchmarks recovered their losses in the spring, eventually bringing the technology-focused Nasdaq Composite Index and the smaller-cap indexes to new highs. Volatility stayed somewhat elevated, however, and many investors clearly remained anxious as the first half of your fund's fiscal year ended.

Solid corporate and economic fundamentals initially seemed to promise that 2017's strong stock market momentum might carry forward into 2018. Continued global synchronized growth led to strong profits for many multinationals. In the U.S., earnings for the S&P 500 rose by nearly 25% in the first quarter versus a year before, according to FactSet—the best performance since the recovery from the financial crisis. Profit growth also picked up in Europe, Japan, and emerging markets, even as growth in many international economies cooled a bit.

Inflation fears presented the first obstacle to the markets in February, however. Stocks tumbled on news that hourly wages had jumped in January, sparking fears that the Federal Reserve would pick up its pace of interest rate increases in order to head off inflation. Wage growth moderated in the following months, but a series of strong economic reports raised growth expectations and sent long-term interest rates to multiyear peaks by May. Investors also worried that the massive U.S. fiscal stimulus from December's tax cuts and March's spending bill might overheat the economy, though interest rates fell back in late May and June as Fed officials stressed their intention to move slowly in tightening monetary policy.

Trade tensions soon emerged as a second impediment for the markets. The Trump administration began implementing a more populist trade stance in March, announcing tariffs on steel and aluminum imports, threatening to withdraw from the North American Free Trade Agreement (NAFTA), and later raising the possibility of taxing auto imports. The administration also announced a steady escalation in possible tariffs on Chinese goods, eventually targeting a list of \$200 billion in Chinese imports. China and other U.S. trading partners vowed to retaliate proportionately.

Investors initially seemed willing to dismiss the tit-for-tat threats as negotiating tactics, but evidence eventually emerged that even the prospect of tariffs was impacting corporate strategies and profit outlooks. Stocks slumped on June 21, after German automaker Daimler lowered its earnings guidance due

to possible tariff increases on SUVs it manufactures in the U.S. and sells in China. A few days later, Harley-Davidson revealed that it was planning to move some of its motorcycle production to Europe to avoid retaliatory tariffs recently announced by the European Union.

Boeing, Caterpillar, and other leading exporters suffered declines as trade tensions worsened, but small-caps, which typically have far less international exposure, fared much better than large-caps in the first half of the year. Growth shares continued to outperform value shares despite the strong performance of energy stocks, which benefited from a rise in oil prices to multiyear highs. Stocks in overseas markets reacted particularly poorly to growing trade fears and fell for the period. A decline in many currencies relative to the dollar also weighed on international bond and stock returns for U.S. investors.

Meanwhile, technology shares continued to dominate, with much of the market's overall gain to date in 2018 concentrated in a handful of mega-cap companies able to leverage dominant Internet platforms. Data breaches and concerns about the growing power of these firms resulted in calls for government intervention in early 2018. For now, however, the threat of increased regulation seems a longer-term one that appears minor in comparison to the powerful fundamental strength of these companies.

T. Rowe Price's global team of industry experts is monitoring the possible impact of tariffs and other challenges on a wide range of companies—from the global tech titans to small, domestic firms that get little analyst coverage on Wall Street. While the rest of 2018 may bring further surprises, you can rest assured that your portfolio manager is drawing on a wide range of insights in seeking to provide shareholders with superior returns while minimizing the impact of unforeseen political events or other pitfalls.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharp
Group Chief Investment Officer

INVESTMENT OBJECTIVE

The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income.

FUND COMMENTARY

How did the fund perform in the past six months?

The Personal Strategy Balanced Portfolio returned 0.67% in the six months ended June 30, 2018. The portfolio outperformed its combined index portfolio benchmark and its peer group, the Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average. *(Past performance cannot guarantee future results.)*

PERFORMANCE COMPARISON	
Six-Month Period Ended 6/30/18	Total Return
Personal Strategy Balanced Portfolio	0.67%
Morningstar Moderate Target Risk	-0.31
Combined Index Portfolio*	0.38
Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	-0.16

* For a definition of the Combined Index Portfolio, please see the Benchmark Information section.

What factors influenced the fund's performance?

Security selection in the fund's underlying investments contributed the most to relative performance. Favorable selection in U.S. large-cap growth stocks followed by selection in international developed markets stocks added the most to relative returns as both strategies outpaced their respective benchmarks. On the other hand, security selection in U.S. large-cap value stocks, which lagged its style-specific benchmark, detracted from relative returns.

Tactical decisions in aggregate detracted from relative performance. Our overweight to bonds relative to stocks held back relative returns as bonds broadly declined and underperformed global stocks this year. Additionally, our overweight to international stocks relative to U.S. stocks detracted from relative performance as stock markets outside the U.S. broadly underperformed U.S. stocks. However, our overweight to small-cap relative to large-cap stocks proved helpful as smaller U.S. companies outperformed larger companies, helped by their lower sensitivity to tariff and trade war concerns and greater exposure to improving domestic growth.

The inclusion of diversifying sectors, particularly those within fixed income, had a broadly neutral impact. An allocation to emerging markets debt—which fared poorly amid rising risks, including local currency weakness and rising political risk in several countries—detracted the most from relative returns. However, exposure to high yield bonds, which advanced amid persistent demand for yield and generally favorable corporate fundamentals among high yield issuers, helped relative performance.

How is the fund positioned?

The Personal Strategy Balanced Portfolio has the ability to overweight or underweight allocations to various asset classes based on the views of the T. Rowe Price Asset Allocation Committee. The Committee meets every month to evaluate economic, market, and earnings trends and look for opportunities over a 6- to 18-month investment horizon. We typically seek to overweight segments of the market that we believe are undervalued and underweight areas that appear fully valued.

As of June 30, 2018, we were underweight stocks relative to bonds. Our underweight allocation to stocks, which we increased in June, stems from our view that equity valuations worldwide appear stretched considering risks, including rising interest rates receding liquidity, and the rapid escalation in U.S.-China trade tensions. Bonds are vulnerable to rising interest rates, but offer diversification benefits and downside protection. Moreover, we believe that investors' persistent demand for higher-yielding assets and modest growth expectations, on top of heightened volatility spurred by trade uncertainty, could temper an upward trend in rates.

Stocks

As of June 30, 2018, the fund was overweight international stocks relative to U.S. stocks. However, we trimmed our overweight in June amid signs of moderating growth in developed markets, increased trade tensions, and a resurgence in political uncertainty in a few countries. As for U.S. stocks, we believe that several key drivers of corporate earnings growth to date, such as the 2017 tax overhaul bill and high energy prices, will fade in the coming months. We maintain a neutral allocation to emerging markets stocks given our view that positive factors, including attractive relative valuations and improved earnings performance, offset risks including a resurgent U.S. dollar, rising interest rates, and rising trade protectionism.

In the U.S., we ended the period neutral between growth and value stocks. We expect secular growth stocks will continue to gain in a low-growth environment, though valuations are elevated and a few technology-focused companies have driven most of the gains. On the other hand, we believe that last year's tax overhaul, rising interest rates, and higher oil prices will support value-focused sectors such as energy and financials, and regard value stocks as fairly valued. We were underweight domestic large-cap versus small-cap stocks at period-end due to more reasonable valuations for small-cap companies. Additionally, we believe that smaller companies are less vulnerable to trade policy changes and have more scope to benefit from corporate tax cuts and a potential pickup in merger and acquisition activity.

We were underweight real assets equities at the end of June. Our stance reflects our caution regarding long-term imbalances between global energy supply and demand, weaker commodities demand from China as it tries to balance its economy, and a tougher environment for real estate investment trusts, which typically decline as interest rates rise.

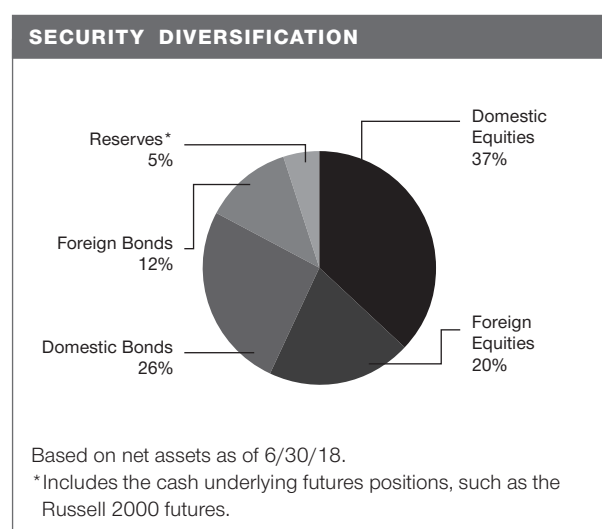
Bonds

We ended the period overweight U.S. investment-grade bonds relative to high yield bonds. Our underweight to high yield bonds stems from our belief that valuations in the sector appear expensive late in the credit cycle. Furthermore, we believe that support for high yield bonds coming from strong corporate earnings and buoyant energy prices will fade over time. Within the noninvestment-grade sector, we favor floating rate bank loans since they benefit from rising rates and have relatively lower exposure to the commodity-related sectors.

We ended the period underweight nondollar bonds relative to U.S. investment-grade bonds. Developed markets bonds outside the U.S. have a less attractive outlook due to their low yields and long duration, or sensitivity to interest rate changes. Finally, we were underweight emerging markets dollar-based sovereign bonds, which we see as vulnerable to a deepening trade war and receding liquidity worldwide as central banks led by the Federal Reserve start to unwind accommodative monetary policies.

What is portfolio management's outlook?

The synchronized global expansion that began in late 2016 appears to be cooling as growth trajectories worldwide have started to diverge. We expect global economic growth will moderate in the near term after last year's surprisingly strong performance. With the U.S. and China locked in a tit-for-tat tariff cycle and the European Union and Canada joining the fray by retaliating with targeted tariffs on U.S. goods, we expect more financial market volatility as worries mount about when and how the current trade disputes will end. Other key risks to our outlook include potential monetary policy missteps, incipient inflation globally, and the sustainability of commodity prices.



The U.S. economy appears to be in the latter stages of the economic cycle, but we believe that last year's tax overhaul and financial industry deregulation will continue to spur growth in the near term. In Europe, we expect ongoing improvement in corporate earnings and above-potential economic growth despite slowing early this year from last year's solid expansion. As for emerging markets, we anticipate economic growth will stabilize in the second half of 2018 after retreating from last year's relatively high levels. However, political uncertainty stemming from upcoming or recent elections has clouded the outlook for many countries, including Mexico, Brazil, Malaysia, and Turkey. Moreover, the economic fallout from a deepening U.S.-China trade rift is a growing risk for the broader emerging markets universe.

Global bond yields will likely remain upwardly biased amid stable growth, normalizing inflation, and gradual policy tightening worldwide. However, investors' demand for yield and modest growth expectations, combined with greater geopolitical-induced volatility, could restrain the upward trend in rates. Broadly positive corporate fundamentals and earnings continue to underpin credit markets despite signs of an extended credit cycle in the U.S. We view cash as an increasingly attractive investment as yields increase along with short-term rates.

The confluence of various policy and geopolitical uncertainties on the horizon—along with stretched valuations across many asset classes and the potential for heightened financial market turbulence—underscores the value of our strategic investing approach. Given the many crosscurrents that will likely impact global financial markets in the near term, we believe that the Personal Strategy Balanced Portfolio's broad diversification and our ability to actively adjust allocations will allow us to continue generating solid returns for investors in a range of market conditions.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

RISKS OF INVESTING IN STOCKS

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. 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. A sizable cash or fixed income position may hinder the fund from participating fully in a strong, rapidly rising bull market. In addition, significant exposure to bonds increases the risk that the fund's share value could be hurt by rising interest rates or credit downgrades or defaults. Convertible securities are also exposed to price fluctuations of the company's stock.

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.

RISKS OF INVESTING IN BONDS

Funds that invest in bonds are subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates. Longer-maturity bonds typically decline more than those with shorter maturities. Funds that invest in bonds are also subject to 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.

BENCHMARK INFORMATION

Combined Index Portfolio: An unmanaged blended index benchmark composed of the following underlying indexes as of May 31, 2018: 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).

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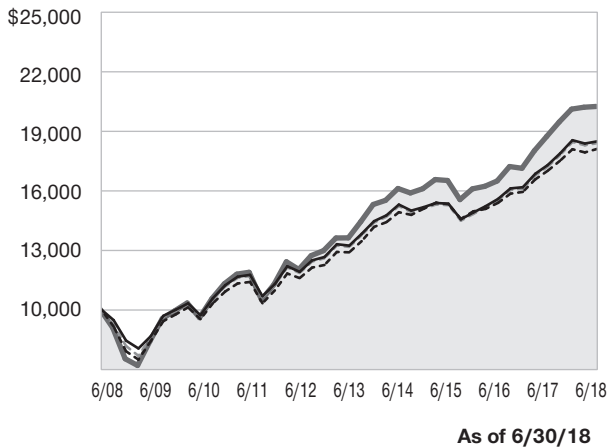
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GROWTH OF \$10,000

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 include a broad-based market index and may also include 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



— Personal Strategy Balanced Portfolio	\$20,228
-- Morningstar Moderate Target Risk	18,382
— Linked Performance Benchmark*	18,470
-- Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	18,090

*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 6/30/18	1 Year	5 Years	10 Years
Personal Strategy Balanced Portfolio	8.04%	8.25%	7.30%

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. 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 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Actual	\$1,000.00	\$1,006.70	\$3.88
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. Prior to July 1, 2018, the annual investment management fee for the fund was 0.90%. Effective July 1, 2018, Price Associates agreed to reduce the fund's management fee to 0.85%. For the Personal Strategy Balanced Portfolio, the actual ending account value and expenses paid during the period would have been \$1,006.95 and \$3.63, respectively, and the hypothetical ending account value and expenses paid during the period would have been \$1,021.17 and \$3.66, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period.

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 21.09	\$ 19.17	\$ 18.73	\$ 20.56	\$ 21.33	\$ 19.55
Investment activities						
Net investment income ⁽¹⁾	0.18 ⁽²⁾	0.30 ⁽²⁾	0.31 ⁽²⁾	0.34 ⁽²⁾	0.33 ⁽²⁾	0.31 ⁽²⁾
Net realized and unrealized gain / loss	(0.04)	3.02	0.89	(0.35)	0.75	3.15
Total from investment activities	0.14	3.32	1.20	(0.01)	1.08	3.46
Distributions						
Net investment income	(0.19)	(0.32)	(0.32)	(0.36)	(0.36)	(0.32)
Net realized gain	–	(1.08)	(0.44)	(1.46)	(1.49)	(1.36)
Total distributions	(0.19)	(1.40)	(0.76)	(1.82)	(1.85)	(1.68)
NET ASSET VALUE						
End of period	\$ 21.04	\$ 21.09	\$ 19.17	\$ 18.73	\$ 20.56	\$ 21.33
Ratios/Supplemental Data						
Total return ⁽³⁾	0.67% ⁽²⁾	17.41% ⁽²⁾	6.45% ⁽²⁾	(0.05)% ⁽²⁾	5.20% ⁽²⁾	17.93% ⁽²⁾
Ratio of total expenses to average net assets	0.78% ⁽²⁾⁽⁴⁾	0.78% ⁽²⁾	0.77% ⁽²⁾	0.77% ⁽²⁾	0.77% ⁽²⁾	0.77% ⁽²⁾
Ratio of net investment income to average net assets	1.72% ⁽²⁾⁽⁴⁾	1.43% ⁽²⁾	1.63% ⁽²⁾	1.66% ⁽²⁾	1.51% ⁽²⁾	1.47% ⁽²⁾
Portfolio turnover rate	40.5%	61.8%	75.4%	71.5%	62.1%	57.4%
Net assets, end of period (in thousands)	\$ 186,267	\$ 184,401	\$ 159,611	\$ 163,344	\$ 188,404	\$ 182,514

⁽¹⁾ Per share amounts calculated using average shares outstanding method.

⁽²⁾ See Note 6. Excludes expenses permanently waived 0.12%, 0.12%, 0.13%, 0.13%, 0.13%, and 0.13% of average net assets for the six months ended 6/30/18 and the years ended 12/31/17, 12/31/16, 12/31/15, 12/31/14 and 12/31/13, 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.

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS†**Shares/Par \$ Value**

(Cost and value in \$000s)

COMMON STOCKS 51.8%**Consumer Discretionary 7.2%****Auto Components 0.5%**

Aisin Seiki (JPY)	1,500	68
Aptiv	952	87
Autoliv, SDR, 4.967% (SEK)	1,021	105
Gentherm (1)	1,558	61
Koito Manufacturing (JPY)	1,000	66
Magna International	7,847	456
Sumitomo Rubber Industries (JPY)	3,300	53
Veoneer, SDR (SEK)(1)	1,021	36
		932

Automobiles 0.5%

Bayerische Motoren Werke (EUR)	1,387	125
Ferrari	454	61
Honda Motor (JPY)	2,900	85
Suzuki Motor (JPY)	2,900	160
Tesla (1)	702	241
Toyota Motor (JPY)	5,600	362
		1,034

Distributors 0.0%

Core-Mark Holding	264	6
		6

Diversified Consumer Services 0.1%

American Public Education (1)	591	25
Bright Horizons Family Solutions (1)	262	27
Chegg (1)	2,712	75
J2 Acquisition (1)(2)	2,406	24
J2 Acquisition, Warrants, 10/10/20 (1)	2,406	1
		152

Hotels, Restaurants & Leisure 1.0%

Chuy's Holdings (1)	927	28
Compass Group (GBP)	6,968	149
Denny's (1)	4,410	70
Dunkin' Brands	1,250	86
Fiesta Restaurant (1)	1,309	38
Hilton Worldwide Holdings	1,244	99
ILG	780	26
Las Vegas Sands	1,752	134
Marriott International, Class A	2,149	272

Shares/Par \$ Value

(Cost and value in \$000s)

McDonald's	90	14
MGM Resorts International	2,800	81
Norwegian Cruise Line Holdings (1)	3,865	183
Red Robin Gourmet Burgers (1)	851	40
Restaurant Brands International	265	16
Royal Caribbean Cruises	1,284	133
Sonic	2,247	77
Wingstop	1,440	75
Wynn Resorts	821	137
Yum! Brands	1,845	144
		1,802

Household Durables 0.3%

Lennar, Class A	454	24
Panasonic (JPY)	14,000	189
Persimmon (GBP)	5,414	180
Sony (JPY)	2,000	102
Tempur Sealy International (1)	1,120	54
Tri Pointe (1)	3,723	61
		610

Internet & Direct Marketing Retail 2.8%

Amazon.com (1)	1,863	3,167
Booking Holdings (1)	722	1,463
Ctrip.com International, ADR (1)	322	15
Netflix (1)	1,198	469
Zalando (EUR)(1)(2)	933	52
		5,166

Media 0.7%

Cable One	119	87
Charter Communications, Class A (1)	750	220
Comcast, Class A	5,851	192
CyberAgent (JPY)	2,100	126
Eutelsat Communications (EUR)	5,331	110
Stroeer (EUR)	1,467	89
Twenty-First Century Fox, Class B	6,600	325
WPP (GBP)	13,168	207
		1,356

Multiline Retail 0.2%

Dollar General	2,073	205
Lojas Renner (BRL)	7,087	53
Ollie's Bargain Outlet Holdings (1)	1,122	81
Tuesday Morning (1)	4,320	13
		352

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Specialty Retail 0.6%		
Aaron's	520	23
Burlington Stores (1)	540	81
Five Below (1)	370	36
Home Depot	881	172
Kingfisher (GBP)	50,977	199
L Brands	400	15
Michaels (1)	2,210	42
Monro	1,530	89
National Vision Holdings (1)	263	10
O'Reilly Automotive (1)	9	3
RH (1)	279	39
Ross Stores	5,089	431
Ulta Beauty (1)	60	14
		1,154
Textiles, Apparel & Luxury Goods 0.5%		
Burberry Group (GBP)	7,533	214
Hanesbrands	8,276	182
Kering (EUR)	357	201
Moncler (EUR)	4,133	188
Samsonite International (HKD)(2)	24,600	87
		872
Total Consumer Discretionary		13,436
Consumer Staples 2.6%		
Beverages 0.2%		
Boston Beer, Class A (1)	270	81
Constellation Brands, Class A	27	6
Diageo (GBP)	6,430	231
Kirin Holdings (JPY)	3,400	91
Monster Beverage (1)	80	5
PepsiCo	140	15
		429
Food & Staples Retailing 0.1%		
BJ's Wholesale Club Holdings (1)	830	20
Costco Wholesale	70	15
Performance Food (1)	1,230	45
Seven & i Holdings (JPY)	4,800	209
		289
Food Products 1.4%		
Bunge Limited	3,217	224
Cal-Maine Foods (1)	1,713	79
Lancaster Colony	110	15
Nestle (CHF)	8,514	660

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Pinnacle Foods	400	26
Post Holdings (1)	820	70
Simply Good Foods (1)	2,252	32
Simply Good Foods, Warrants 7/7/22 (1)	412	2
TreeHouse Foods (1)	1,060	56
Tyson Foods, Class A	18,631	1,283
Wilmar International (SGD)	51,300	115
		2,562
Household Products 0.2%		
Essity, B Shares (SEK)	5,010	123
Kimberly-Clark	2,060	217
		340
Personal Products 0.5%		
Edgewell Personal Care (1)	870	44
L'Oreal (EUR)	1,016	250
Pola Orbis Holdings (JPY)	2,000	88
Unilever (GBP)	9,769	540
		922
Tobacco 0.2%		
Philip Morris International	4,968	401
		401
Total Consumer Staples		4,943
Energy 2.2%		
Energy Equipment & Services 0.1%		
Computer Modelling Group (CAD)	1,750	13
Dril-Quip (1)	460	24
NCS Multistage Holdings (1)	170	2
WorleyParsons (AUD)	8,558	111
		150
Oil, Gas & Consumable Fuels 2.1%		
Advantage Oil & Gas (CAD)(1)	2,378	7
Apache	273	13
BP, ADR	6,303	288
Canadian Natural Resources	2,500	90
Centennial Resource Development, Class A (1)	2,173	39
Chevron	4,029	509
Concho Resources (1)	1,870	259
ConocoPhillips	1,679	117
Crew Energy (CAD)(1)	5,917	9
Diamondback Energy	650	86
EOG Resources	2,234	278

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Equinor (NOK)	5,020	133
Jagged Peak Energy (1)	1,940	25
Kosmos Energy (1)	786	7
Matador Resources (1)	1,144	34
Phillips 66	2,780	312
Plains GP Holdings, Class A (1)	4,266	102
Royal Dutch Shell, Class B, ADR	4,189	304
Seven Generations Energy		
Class A (CAD)(1)	1,420	16
Total (EUR)	7,597	461
Total, ADR	5,244	318
TransCanada	10,135	438
Valero Energy	1,431	159
Venture Global LNG, Series B		
Acquisition Date: 3/8/18, Cost		
\$3 (1)(3)(4)	1	5
Venture Global LNG, Series C		
Acquisition Date: 5/28/17 -		
3/8/18, Cost \$18 (1)(3)(4)	5	25
		4,034
Total Energy		4,184
Financials 9.5%		
Banks 4.5%		
ABN AMRO Group, GDR, 0.80%		
(EUR)(2)	4,879	126
Atlantic Capital Bancshares (1)	1,221	24
Australia & New Zealand		
Banking Group (AUD)	11,372	238
BankUnited	1,910	78
Barclays, ADR	4,004	40
Blue Hills Bancorp	1,276	28
BNP Paribas (EUR)	4,744	293
Bridge Bancorp	980	35
Citigroup	5,479	367
Columbia Banking System	704	29
Commerzbank (EUR)(1)	4,882	47
Danske Bank (DKK)	5,613	175
DBS Group Holdings (SGD)	12,275	239
DNB (NOK)	15,095	294
Erste Group Bank (EUR)	2,834	118
FB Financial	1,182	48
Fifth Third Bancorp	5,784	166
First Bancshares	220	8
First Republic Bank	2,575	249
Guaranty Bancorp	1,010	30
Heritage Commerce	2,214	38
Heritage Financial	1,050	37

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Home Bancshares	2,930	66
Hope Bancorp	1,530	27
Independent Bank Group	476	32
ING Groep (EUR)	18,608	267
Intesa Sanpaolo (EUR)	51,133	148
Intesa Sanpaolo, Rights 7/1/18		
(EUR)(1)	51,133	—
Investors Bancorp	2,800	36
JPMorgan Chase	8,486	884
Live Oak Bancshares	1,144	35
Lloyds Banking Group (GBP)	260,488	216
Mitsubishi UFJ Financial (JPY)	42,800	242
National Bank of Canada		
(CAD)(5)	4,400	211
National Commerce (1)	270	13
Nordea Bank (SEK)	26,501	254
Origin Bancorp	276	11
Pacific Premier Bancorp (1)	810	31
Pinnacle Financial Partners	978	60
PNC Financial Services Group	4,197	567
Prosperity Bancshares	730	50
Seacoast Banking (1)	2,169	69
Simmons First National, Class A	950	28
South State	463	40
Standard Chartered (GBP)	13,619	124
Sumitomo Mitsui Trust Holdings		
(JPY)	3,535	139
Svenska Handelsbanken, A		
Shares (SEK)	18,836	209
Texas Capital Bancshares (1)	410	38
Towne Bank	1,230	39
U.S. Bancorp	9,418	471
United Overseas Bank (SGD)	6,200	122
Univest	1,038	29
Webster Financial	697	44
Wells Fargo	21,233	1,177
Western Alliance Bancorp (1)	1,410	80
		8,466
Capital Markets 2.1%		
Ameriprise Financial	11	1
Bank of New York Mellon	7,127	384
Cboe Global Markets	916	95
Charles Schwab	9,708	496
Close Brothers Group (GBP)	1,474	29
GAM Holding (CHF)	5,538	76
Intercontinental Exchange	8,671	638
Macquarie Group (AUD)	2,212	202

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Morgan Stanley	14,428	684
Northern Trust	200	20
Raymond James Financial	470	42
S&P Global	671	137
State Street	5,766	537
TD Ameritrade Holding	8,414	461
Triangle Capital	1,389	16
		3,818

Consumer Finance 0.1%

Credit Saison (JPY)	4,800	75
DLP Payments Holdings, Non-Voting Shares, Acquisition Date: 7/10/17, Cost \$10 (1)(3)(4)	11	13
Encore Capital (1)	760	28
PRA Group (1)	1,850	71
SLM (1)	3,274	38
		225

Diversified Financial Services 0.2%

Challenger (AUD)	16,209	142
Element Fleet Management (CAD)	17,833	84
Mitsubishi UFJ Lease & Finance (JPY)	15,700	96
		322

Insurance 2.5%

AIA Group (HKD)	21,600	188
American International Group	7,529	399
Assurant	140	14
Aviva (GBP)	21,461	142
AXA (EUR)	12,590	308
Axis Capital Holdings	575	32
Chubb	3,254	413
Direct Line Insurance Group (GBP)	32,518	147
Goosehead Insurance, Class A (1)	444	11
Hanover Insurance Group	610	73
Marsh & McLennan	5,930	486
MetLife	7,026	306
Munich Re (EUR)	1,172	246
Ping An Insurance Group, H Shares (HKD)	16,500	151
Progressive	1,280	76
Prudential (GBP)	11,564	264
RSA Insurance Group (GBP)	16,882	151
Safety Insurance Group	346	30

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Selective Insurance	1,460	80
State Auto Financial	802	24
Storebrand (NOK)	18,722	151
Sun Life Financial (CAD)	5,500	221
Tokio Marine Holdings (JPY)	4,800	225
Willis Towers Watson	2,521	382
Zurich Insurance Group (CHF)	622	184
		4,704

Thriffs & Mortgage Finance 0.1%

Beneficial Bancorp	2,163	35
Capitol Federal Financial	2,562	34
Essent (1)	440	16
Meridian Bancorp	2,083	40
PennyMac Financial Services Class A (1)	620	12
Radian	2,360	38
Sterling Bancorp	1,309	17
WSFS Financial	460	25
		217

Total Financials	17,752
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Health Care 7.8%**Biotechnology 1.0%**

Abeona Therapeutics (1)	360	6
Accelaron Pharma (1)	550	27
Agiros Pharmaceuticals (1)	235	20
Aimmune Therapeutics (1)	665	18
Alexion Pharmaceuticals (1)	2,556	317
Alkermes (1)	500	21
Amicus Therapeutics (1)	318	5
Aquinox Pharmaceuticals (1)	120	—
Argenx, ADR (1)	184	15
Ascendis Pharma, ADR (1)	432	29
Audentes Therapeutics (1)	190	7
BeiGene, ADR (1)	29	4
Biogen (1)	5	1
Blueprint Medicines (1)	448	28
Celgene (1)	50	4
Corvus Pharmaceuticals (1)	370	4
CSL (AUD)	713	102
CytomX Therapeutics (1)	520	12
Exelixis (1)	840	18
Five Prime Therapeutics (1)	157	3
Gilead Sciences	1,153	82
Global Blood Therapeutics (1)	560	25
GlycoMimetics (1)	443	7

	Shares/Par	\$ Value
(Cost and value in \$000s)		
ImmunoGen (1)	281	3
Insmmed (1)	1,768	42
Ironwood Pharmaceuticals (1)	2,090	40
Loxo Oncology (1)	150	26
MacroGenics (1)	234	5
Madrigal Pharmaceuticals (1)	17	5
Momenta Pharmaceuticals (1)	3	—
PTC Therapeutics (1)	60	2
Radius Health (1)	1,410	42
SAGE Therapeutics (1)	762	119
Sarepta Therapeutics (1)	130	17
Scholar Rock Holding (1)	92	1
Seattle Genetics (1)	428	28
Shire, ADR	843	142
Spark Therapeutics (1)	325	27
TESARO (1)	355	16
Ultragenyx Pharmaceutical (1)	30	2
Vertex Pharmaceuticals (1)	2,839	483
Xencor (1)	915	34
		1,789

Health Care Equipment & Supplies 2.6%

Abbott Laboratories	657	40
Avanos Medical (1)	1,300	74
Becton, Dickinson & Company	4,030	965
Boston Scientific (1)	2,400	78
Cooper	564	133
Cutera (1)	201	8
Danaher	5,709	563
Elekta, B Shares (SEK)	9,575	126
GN Store Nord (DKK)	4,906	223
Hologic (1)	3,535	140
Intuitive Surgical (1)	917	439
JAND, Class A, Acquisition Date: 3/9/18, Cost \$7 (1)(3)(4)	443	7
K2M Group Holdings (1)	2,966	67
Koninklijke Philips (EUR)	9,103	386
Medtronic	5,710	489
Quidel (1)	990	66
STERIS	630	66
Stryker	4,602	777
Wright Medical (1)	1,935	50
Zimmer Biomet Holdings	400	45
		4,742

Health Care Providers & Services 1.8%

Acadia Healthcare (1)	1,420	58
Aetna	850	156

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Anthem	2,013	479
Centene (1)	1,372	169
Cigna	2,291	389
Cross Country Healthcare (1)	1,445	16
CVS Health	5,621	362
Fresenius (EUR)	4,061	325
Humana	581	173
LifePoint Health (1)	270	13
Miraca Holdings (JPY)	1,900	57
Molina Healthcare (1)	1,311	129
U.S. Physical Therapy	535	51
UnitedHealth Group	4,274	1,049
		3,426

Health Care Technology 0.1%

HMS Holdings (1)	2,180	47
Siemens Healthineers (EUR)(1)(2)	2,886	119
		166

Life Sciences Tools & Services 0.4%

Agilent Technologies	4,471	276
Bruker	1,287	37
Illumina (1)	17	5
Thermo Fisher Scientific	2,286	474
		792

Pharmaceuticals 1.9%

Astellas Pharma (JPY)	19,000	289
Bayer (EUR)	4,221	464
Catalent (1)	1,594	67
GlaxoSmithKline, ADR	5,600	226
Merck	7,239	439
MyoKardia (1)	326	16
Novartis (CHF)	6,334	480
Novo Nordisk, Series B (DKK)	2,144	99
Pacira Pharmaceuticals (1)	800	26
Pfizer	18,733	680
Prestige Brands (1)	660	25
Roche Holding (CHF)	1,971	437
Sanofi (EUR)	3,068	246
TherapeuticsMD (1)	7,342	46
WaVe Life Sciences (1)	556	21
Zoetis	303	26
		3,587

Total Health Care		14,502
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	Shares/Par	\$ Value
(Cost and value in \$000s)		
Industrials & Business Services 5.1%		
Aerospace & Defense 1.5%		
Aerojet Rocketdyne Holdings (1)	1,358	40
Boeing	4,502	1,511
BWX Technologies	1,688	105
Harris	1,626	235
Meggitt (GBP)	26,797	174
Moog, Class A	390	30
Northrop Grumman	1,868	575
Teledyne Technologies (1)	660	131
Textron	420	28
		2,829
Air Freight & Logistics 0.0%		
FedEx	7	2
		2
Airlines 0.5%		
Alaska Air Group	852	51
Alclear Holdings, Class B		
Acquisition Date: 3/6/18, Cost		
\$15 (1)(3)(4)	105	15
American Airlines	15,616	593
Delta Air Lines	2,417	120
Southwest Airlines	2,000	102
United Continental Holdings (1)	633	44
		925
Building Products 0.2%		
CSW Industrials (1)	370	20
Gibraltar Industries (1)	1,324	50
Johnson Controls International	5,864	196
Lennox International	191	38
PGT Innovations (1)	1,794	37
Quanex Building Products	1,082	19
Simpson Manufacturing	460	29
		389
Commercial Services & Supplies 0.2%		
Brightview Holdings (1)	552	12
Brinks	1,327	106
Cintas	310	57
Healthcare Services	710	31
Heritage-Crystal Clean (1)	650	13
MSA Safety	350	34
Multi-Color	129	8
Rentokil Initial (GBP)	6,731	31
Republic Services	200	14

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Team (1)	1,230	28
Waste Connections	1,102	83
		417
Construction & Engineering 0.0%		
Valmont Industries	411	62
		62
Electrical Equipment 0.5%		
ABB (CHF)	8,958	195
AZZ	1,030	45
Legrand (EUR)	1,657	121
Melrose Industries (GBP)	29,279	82
Mitsubishi Electric (JPY)	22,600	300
Prysmian (EUR)	3,997	99
Thermon Group Holdings (1)	1,420	33
		875
Industrial Conglomerates 0.8%		
CK Hutchison Holdings (HKD)	19,284	204
DCC (GBP)	1,610	146
Honeywell International	2,482	358
Roper Technologies	1,077	297
Sembcorp Industries (SGD)	11,509	23
Siemens (EUR)	3,486	459
		1,487
Machinery 0.7%		
Alamo	208	19
Barnes Group	760	45
Chart Industries (1)	1,800	111
ESCO Technologies	1,235	71
Fortive	1,483	114
Graco	980	44
John Bean Technologies	1,117	99
Luxfer Holdings	1,570	28
Mueller Water Products, Class A	3,490	41
PACCAR	534	33
REV	838	14
SMC (JPY)	300	110
Stanley Black & Decker	1,607	213
Sun Hydraulics	459	22
THK (JPY)	5,700	163
Toro	959	58
Welbilt (1)	1,190	27
		1,212

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Marine 0.0%		
Matson	1,580	61
		61
Professional Services 0.1%		
CoStar Group (1)	141	58
IHS Markit (1)	90	5
Recruit Holdings (JPY)	5,200	143
		206
Road & Rail 0.3%		
Canadian Pacific Railway	254	46
Central Japan Railway (JPY)	800	165
CSX	1,459	93
Genesee & Wyoming, Class A (1)	180	15
Kansas City Southern	610	65
Knight-Swift Transportation Holdings	255	10
Landstar System	330	36
Schneider National, Class B	901	25
Union Pacific	114	16
		471
Trading Companies & Distributors 0.3%		
GMS (1)	492	13
Mitsubishi (JPY)	5,600	155
SiteOne Landscape Supply (1)	1,060	89
Sumitomo (JPY)	19,200	315
Univar (1)	840	22
Watsco	50	9
		603
Total Industrials & Business Services		9,539
Information Technology 11.4%		
Communications Equipment 0.4%		
Cisco Systems	14,632	630
Finisar (1)	1,496	27
LM Ericsson, B Shares (SEK)	10,429	80
Lumentum Holdings (1)	1,360	79
		816
Electronic Equipment, Instruments & Components 0.6%		
Corning	6,199	171
CTS	900	32
Hamamatsu Photonics KK (JPY)	1,700	73
Keysight Technologies (1)	5,464	323
Largan Precision (TWD)	1,000	147
Littelfuse	60	14

	Shares/Par	\$ Value
(Cost and value in \$000s)		
National Instruments	1,254	53
Novanta (1)	1,575	98
Omron (JPY)	2,500	116
TE Connectivity	50	4
		1,031
Internet Software & Services 3.6%		
2U (1)	481	40
A Place for Rover, Acquisition Date: 5/25/18, Cost \$- (1)(3)(4)	52	1
Alibaba Group Holding, ADR (1)	6,738	1,250
Alphabet, Class A (1)	457	516
Alphabet, Class C (1)	1,098	1,225
Baidu, ADR (1)	470	114
Cargurus, Lock-Up Shares Class A (1)	1,532	53
Coupa Software (1)	889	55
Facebook, Class A (1)	10,069	1,957
Five9 (1)	1,960	68
GrubHub (1)	597	63
GTT Communications (1)	600	27
Kakaku.com (JPY)	3,800	86
NAVER (KRW)	76	52
Okta (1)	920	46
Q2 Holdings (1)	368	21
Quotient Technology (1)	1,279	17
SVMK (f/k/a/ SurveyMonkey) Acquisition Date: 11/25/14 Cost \$4 (1)(3)(4)	226	2
Tencent Holdings (HKD)	14,600	733
Tucows, Class A (1)	266	16
Wix.com (1)	598	60
Yahoo! Japan (JPY)(5)	22,600	75
YY, ADR (1)	1,357	136
Zillow, Class A (1)	60	4
Zillow, Class C (1)	140	8
		6,625
IT Services 1.8%		
Adyen (EUR)(1)(2)(3)	28	15
ANT, Class C, Acquisition Date: 6/7/18, Cost \$61 (1)(3)(4)	10,922	61
Booz Allen Hamilton	1,750	77
Conduent (1)	290	5
Euronet Worldwide (1)	130	11
Evo Payments, Class A (1)	282	6
Fidelity National Information	1,424	151
Fiserv (1)	3,471	257

	Shares/Par	\$ Value
(Cost and value in \$000s)		
FleetCor Technologies (1)	525	111
Global Payments	2,331	260
Infosys, ADR	7,400	144
Mastercard, Class A	4,368	858
PayPal Holdings (1)	4,650	387
Visa, Class A	7,462	988
Worldpay, Class A (1)	1,242	102
		3,433
Semiconductors & Semiconductor Equipment 1.6%		
Applied Materials	3,858	178
ASML Holding	19	4
ASML Holding (EUR)	844	167
Broadcom	3,064	743
Entegris	1,210	41
Inphi (1)	1,200	39
Integrated Device Technology (1)	590	19
Lam Research	31	5
Lattice Semiconductor (1)	7,192	47
MACOM Technology Solutions Holdings (1)	1,200	28
Maxim Integrated Products	2,911	171
Microchip Technology	1,369	125
MKS Instruments	200	19
Monolithic Power Systems	95	13
PDF Solutions (1)	1,459	17
Renesas Electronics (JPY)(1)	7,000	68
Taiwan Semiconductor Manufacturing (TWD)	45,219	321
Texas Instruments	6,137	677
Tokyo Electron (JPY)	1,300	223
Xilinx	130	9
		2,914
Software 3.2%		
Activision Blizzard	1,583	121
Avalara (1)	98	5
Checkr, Acquisition Date: 6/29/18, Cost \$1 (1)(3)(4)	72	1
CyberArk Software (1)	620	39
Descartes Systems (CAD)(1)	2,520	82
Electronic Arts (1)	1,622	229
Ellie Mae (1)	535	56
Guidewire Software (1)	590	52
Intuit	2,089	427
Microsoft	28,261	2,787
Paycom Software (1)	50	5
Proofpoint (1)	510	59

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Red Hat (1)	1,518	204
salesforce.com (1)	4,542	619
ServiceNow (1)	2,686	463
SS&C Technologies Holdings	2,240	116
Symantec	142	3
Synopsys (1)	3,169	271
Tableau Software, Class A (1)	836	82
VMware, Class A (1)	13	2
Workday, Class A (1)	1,387	168
Zendesk (1)	1,110	60
Zynga, Class A (1)	11,900	48
		5,899
Technology Hardware, Storage & Peripherals 0.2%		
Apple	883	164
Cray (1)	900	22
Pure Storage, Class A (1)	430	10
Samsung Electronics (KRW)	6,258	262
		458
Total Information Technology		21,176
Materials 1.9%		
Chemicals 1.0%		
Air Liquide (EUR)	1,215	152
Asahi Kasei (JPY)	14,200	180
BASF (EUR)	2,112	202
CF Industries Holdings	2,466	109
Covestro (EUR)(2)	1,192	106
DowDuPont	6,800	448
GCP Applied Technologies (1)	1,040	30
Johnson Matthey (GBP)	3,629	173
KMG Chemicals	382	28
Minerals Technologies	570	43
Orion Engineered Carbons	1,222	38
PolyOne	770	33
Sherwin-Williams	237	97
Tosoh (JPY)	2,000	31
Umicore (EUR)	3,172	181
		1,851
Construction Materials 0.0%		
Martin Marietta Materials	60	14
		14
Containers & Packaging 0.4%		
Amcor (AUD)	11,654	124
Ball	63	2

	Shares/Par	\$ Value
(Cost and value in \$000s)		
International Paper	12,028	627
		753
Metals & Mining 0.4%		
Antofagasta (GBP)	6,698	87
BHP Billiton (GBP)	6,954	156
BHP Billiton (AUD)	1,792	45
Constellium, Class A (1)	1,170	12
Franco-Nevada (CAD)	220	16
Haynes International	930	34
Independence Group (AUD)	33,778	128
Northern Star Resources (AUD)	2,809	15
Osisko Gold Royalties (CAD)(5)	1,870	18
Rio Tinto (AUD)	1,332	82
South32 (AUD)	33,109	89
		682
Paper & Forest Products 0.1%		
Stora Enso, R Shares (EUR)	8,327	162
		162
Total Materials		3,462
Real Estate 1.0%		
Equity Real Estate Investment Trusts 0.9%		
Acadia Realty Trust, REIT	710	19
Alexander & Baldwin, REIT	1,489	35
American Campus Communities, REIT	1,270	54
American Tower, REIT	478	69
Crown Castle International, REIT	5,142	554
CubeSmart, REIT	330	11
EastGroup Properties, REIT	900	86
Equinix, REIT	9	4
Equity Commonwealth, REIT (1)	1,400	44
First Industrial Realty Trust, REIT	382	13
Great Portland Estates (GBP)	7,454	70
Paramount Group, REIT	3,350	52
PS Business Parks, REIT	693	89
Regency Centers, REIT	423	26
Retail Opportunity Investments REIT	1,790	34
Scentre Group (AUD)	41,432	135
SL Green Realty, REIT	829	83
Unibail-Rodamco (EUR)	659	145
Urban Edge Properties, REIT	810	19
Weyerhaeuser, REIT	1,447	53
		1,595

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Real Estate Management & Development 0.1%		
Colliers International (CAD)	510	38
FirstService (CAD)	970	74
Mitsui Fudosan (JPY)	5,300	128
RE/MAX Holdings, Class A	328	17
		257
Total Real Estate		1,852
Telecommunication Services 1.0%		
Diversified Telecommunication Services 0.7%		
AT&T	10,475	336
KT (KRW)	3,298	85
Nippon Telegraph & Telephone (JPY)	9,200	418
Telecom Italia, 0.028% (EUR)	136,544	89
Telefonica (EUR)	14,250	121
Telefonica Deutschland Holding (EUR)	42,598	167
Telstra (AUD)	13,841	27
Verizon Communications	3,333	168
		1,411
Wireless Telecommunication Services 0.3%		
America Movil, Class L, ADR	5,000	84
Softbank Group (JPY)	1,400	100
Vodafone Group, ADR	12,309	299
		483
Total Telecommunication Services		1,894
Utilities 2.0%		
Electric Utilities 1.1%		
Entergy	4,580	370
Eversource Energy	5,860	329
NextEra Energy	1,124	66
PG&E	4,347	726
PNM Resources	5,552	236
Southern	1,770	69
SSE (GBP)	5,946	276
	2,913	52
		2,124
Gas Utilities 0.2%		
Chesapeake Utilities	580	46
ONE Gas	1,500	112
South Jersey Industries	1,576	53
Southwest Gas Holdings	900	69
		280

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Independent Power & Renewable Electricity Producers 0.1%		
Electric Power Development Class C (JPY)	5,100	131
Nextera Energy Partners	640	30
		161
Multi-Utilities 0.6%		
DTE Energy	980	101
E.ON (EUR)	6,683	71
Engie (EUR)	13,318	204
National Grid (GBP)	14,232	157
NiSource	5,275	139
SCANA	760	29
Sempra Energy	3,115	362
		1,063
Water Utilities 0.0%		
California Water Service Group	1,200	47
Middlesex Water	344	14
		61
Total Utilities		3,689
Total Miscellaneous Common Stocks (6)		141
Total Common Stocks (Cost \$59,636)		96,570

CONVERTIBLE PREFERRED STOCKS 0.2%**Consumer Staples 0.0%****Food Products 0.0%**

Farmers Business Network Series D, Acquisition Date: 11/3/17, Cost \$14 (1)(3)(4)	733	14
Total Consumer Staples		14

Health Care 0.1%**Health Care Equipment & Supplies 0.1%**

Becton Dickinson & Company Series A, 6.125%	1,149	71
JAND, Series E, Acquisition Date: 3/9/18, Cost \$9 (1)(3)(4)	546	9
Total Health Care		80

Industrials & Business Services 0.0%**Machinery 0.0%**

Fortive, Series A, 5.00%	45	45
Total Industrials & Business Services		45

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Information Technology 0.0%		
Internet Software & Services 0.0%		
A Place for Rover, Series G Acquisition Date: 5/11/18 Cost \$6 (1)(3)(4)	741	5
Roofoods, Series F, Acquisition Date: 9/12/17, Cost \$19 (1)(3)(4)	53	19
Toast, Series D, Acquisition Date: 6/27/18, Cost \$13 (1)(3)(4)	737	13
Vroom, Series F, Acquisition Date: 6/30/17, Cost \$8 (1)(3)(4)	480	8
		45
Software 0.0%		
Checkr, Series C, Acquisition Date: 4/10/18, Cost \$4 (1)(3)(4)	300	4
Plex Systems, Series B Acquisition Date: 6/9/14, Cost \$5 (1)(3)(4)	2,270	5
		9
Total Information Technology		54

Utilities 0.1%**Electric Utilities 0.1%**

NextEra Energy, 6.123%	2,208	126
		126

Gas Utilities 0.0%

South Jersey Industries, 7.25% (1)	266	15
		15

Multi-Utilities 0.0%

Sempra Energy, Series A, 6.00%	570	59
		59
Total Utilities		200

**Total Convertible Preferred Stocks
(Cost \$358)****393****CONVERTIBLE BONDS 0.0%**

Ctrip.com International 1.25%, 9/15/22	45,000	46
Total Convertible Bonds (Cost \$47)		46

CORPORATE BONDS 8.9%

AbbVie 3.60%, 5/14/25	130,000	126
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	Shares/Par	\$ Value
(Cost and value in \$000s)		
Activision Blizzard		
4.50%, 6/15/47	108,000	104
AerCap Ireland Capital		
3.65%, 7/21/27	150,000	136
Aflac		
3.625%, 11/15/24	40,000	40
Air Lease		
2.75%, 1/15/23	55,000	52
Air Lease		
3.625%, 12/1/27	35,000	32
Alexandria Real Estate Equities		
3.45%, 4/30/25	40,000	38
Alexandria Real Estate Equities		
3.95%, 1/15/27	40,000	39
Alexandria Real Estate Equities		
3.95%, 1/15/28	65,000	62
Alexandria Real Estate Equities		
4.00%, 1/15/24	15,000	15
Alibaba Group Holding		
3.60%, 11/28/24	200,000	197
Amazon.com		
3.875%, 8/22/37	285,000	278
Amazon.com		
4.05%, 8/22/47	65,000	64
American Airlines PTT, Series 2013-1, Class A		
4.00%, 7/15/25	19,381	19
American Airlines PTT, Series 2014-1, Class B		
4.375%, 10/1/22	3,488	3
American Airlines PTT, Series 2015-1, Class B		
3.70%, 5/1/23	10,835	10
American Airlines PTT, Series 2016-1, Class AA		
3.575%, 1/15/28	13,922	13
American Airlines PTT, Series 2017-1, Class B		
4.95%, 2/15/25	65,363	65
American Airlines PTT, Series 2017-2, Class AA		
3.35%, 10/15/29	20,000	19
American Campus Communities		
3.625%, 11/15/27	25,000	23
Anheuser-Busch InBev Finance		
3.65%, 2/1/26	85,000	83
Anthem		
3.50%, 8/15/24	85,000	83
Anthem		
4.65%, 1/15/43	65,000	63
Apple		
3.20%, 5/13/25	45,000	44
Apple		
3.75%, 11/13/47	195,000	182
Apple		
4.25%, 2/9/47	20,000	20
APT Pipelines		
3.875%, 10/11/22 (2)	35,000	35

	Shares/Par	\$ Value
(Cost and value in \$000s)		
APT Pipelines		
4.25%, 7/15/27 (2)	180,000	176
Arconic		
6.15%, 8/15/20	80,000	83
Ausgrid Finance		
3.85%, 5/1/23 (2)	30,000	30
Ausgrid Finance		
4.35%, 8/1/28 (2)	40,000	40
Avnet		
3.75%, 12/1/21	60,000	60
Avnet		
4.625%, 4/15/26	40,000	39
AXA Equitable Holdings		
3.90%, 4/20/23 (2)	85,000	84
Baidu		
2.875%, 7/6/22	200,000	193
Bank of America		
3.248%, 10/21/27	120,000	112
Bank of America		
3.30%, 1/11/23	240,000	236
Bank of America, VR		
3.824%, 1/20/28 (6)	75,000	73
Bank of America, VR		
4.244%, 4/24/38 (6)	31,000	30
Barclays Bank		
5.14%, 10/14/20	100,000	103
Bayer US Finance II		
3.875%, 12/15/23 (2)	200,000	200
BBVA Bancomer		
4.375%, 4/10/24 (2)	150,000	150
Becton Dickinson & Company		
3.363%, 6/6/24	60,000	58
Becton Dickinson & Company		
3.70%, 6/6/27	130,000	123
Becton Dickinson & Company		
3.734%, 12/15/24	29,000	28
Becton Dickinson & Company		
4.669%, 6/6/47	75,000	72
Boardwalk Pipelines		
3.375%, 2/1/23	61,000	59
Boardwalk Pipelines		
4.45%, 7/15/27	10,000	10
Boardwalk Pipelines		
4.95%, 12/15/24	35,000	36
Boardwalk Pipelines		
5.95%, 6/1/26	10,000	11
Booking Holdings		
3.60%, 6/1/26	40,000	39
Booking Holdings		
3.65%, 3/15/25	140,000	137
Boral Finance		
3.00%, 11/1/22 (2)(5)	5,000	5
Boral Finance		
3.75%, 5/1/28 (2)	80,000	77
Boston Properties		
2.75%, 10/1/26	39,000	35
Boston Properties		
3.20%, 1/15/25	50,000	48

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Boston Properties		
3.65%, 2/1/26	30,000	29
Brambles USA		
4.125%, 10/23/25 (2)	20,000	20
Braskem Finance		
7.375%, 10/29/49 (7)	100,000	101
Brixmor Operating Partnership		
3.65%, 6/15/24	31,000	30
Brixmor Operating Partnership		
3.85%, 2/1/25	60,000	58
Brixmor Operating Partnership		
3.90%, 3/15/27	70,000	66
Brixmor Operating Partnership		
REIT		
3.875%, 8/15/22	36,000	36
Broadcom		
3.00%, 1/15/22	70,000	68
Broadcom		
3.125%, 1/15/25	60,000	55
Broadcom		
3.625%, 1/15/24	180,000	174
Broadcom		
3.875%, 1/15/27	5,000	5
Bunge		
3.75%, 9/25/27	65,000	60
Capital One Bank		
3.375%, 2/15/23	250,000	243
Cargill		
3.25%, 3/1/23 (2)	10,000	10
Catholic Health Initiatives		
2.95%, 11/1/22	20,000	19
CC Holdings		
3.849%, 4/15/23	150,000	148
Celgene		
3.875%, 8/15/25	160,000	156
Celgene		
4.35%, 11/15/47	50,000	44
Celulosa Arauco y Constitucion		
3.875%, 11/2/27	200,000	186
Cencosud		
5.15%, 2/12/25	200,000	198
Cenovus Energy		
4.25%, 4/15/27	15,000	14
Charter Communications Operating		
4.908%, 7/23/25	80,000	81
Charter Communications Operating		
FRN, 3M USD LIBOR + 1.65%,		
4.043%, 2/1/24	70,000	70
Cigna		
3.05%, 10/15/27	30,000	27
Citigroup, VR		
2.876%, 7/24/23 (6)	85,000	82
CNA Financial		
5.875%, 8/15/20	35,000	37
Comcast		
3.15%, 3/1/26	25,000	23

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Comcast		
3.20%, 7/15/36	5,000	4
Comcast		
3.30%, 2/1/27	104,000	98
Comcast		
3.375%, 8/15/25	4,000	4
Comcast		
3.90%, 3/1/38	13,000	12
Credit Agricole		
3.25%, 10/4/24 (2)	250,000	235
Crown Castle International		
5.25%, 1/15/23	35,000	37
Crown Castle Towers		
3.663%, 5/15/25 (2)	85,000	84
CVS Health		
3.70%, 3/9/23	200,000	199
Delta Air Lines		
3.625%, 3/15/22	100,000	98
Delta Air Lines		
4.375%, 4/19/28	80,000	77
Delta Air Lines PTT, Series 2009-1		
Class A		
7.75%, 12/17/19	3,980	4
Delta Air Lines PTT, Series 2010-2		
Class A		
4.95%, 5/23/19	3,134	3
Delta Air Lines PTT, Series 2011-1		
Class A		
5.30%, 4/15/19	2,038	2
Delta Air Lines PTT, Series 2015-1		
Class AA		
3.625%, 7/30/27	31,239	31
Deutsche Telekom International		
Finance		
4.375%, 6/21/28 (2)	155,000	154
Discover Financial Services		
3.75%, 3/4/25	120,000	114
Dollar Tree		
3.70%, 5/15/23	20,000	20
Enbridge, Series 16-A, VR		
6.00%, 1/15/77 (6)	60,000	57
Enel Americas		
4.00%, 10/25/26	50,000	48
Enel Finance International		
4.75%, 5/25/47 (2)	200,000	191
Essex Portfolio		
3.375%, 4/15/26	35,000	33
Essex Portfolio		
3.625%, 5/1/27	55,000	52
Expedia		
3.80%, 2/15/28	50,000	46
Expedia		
4.50%, 8/15/24	50,000	50
Expedia		
5.00%, 2/15/26	100,000	102
FirstEnergy		
3.90%, 7/15/27	185,000	178
FirstEnergy Transmission		
4.35%, 1/15/25 (2)	65,000	66

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
General Motors, FRN		
3M USD LIBOR + 0.80%, 3.163%		
8/7/20	45,000	45
Goldman Sachs Group		
3.00%, 4/26/22	95,000	93
Goldman Sachs Group		
3.50%, 11/16/26	115,000	108
Goldman Sachs Group		
5.75%, 1/24/22	110,000	118
Goldman Sachs Group, VR		
2.908%, 6/5/23 (6)	115,000	111
Goldman Sachs Group, VR		
3.691%, 6/5/28 (6)	97,000	92
GTP Acquisition Partners		
2.35%, 6/15/20 (2)	100,000	98
Harris		
4.854%, 4/27/35	75,000	77
Heathrow Funding		
4.875%, 7/15/21 (2)	100,000	105
Hess		
4.30%, 4/1/27	105,000	101
Hess		
5.80%, 4/1/47	65,000	67
Highwoods Realty		
4.125%, 3/15/28	56,000	55
HSBC Holdings, VR		
3.95%, 5/18/24 (6)	200,000	199
Humana		
3.85%, 10/1/24	55,000	55
ING Bank, VR		
4.125%, 11/21/23 (6)	205,000	206
Interpublic Group		
4.00%, 3/15/22	25,000	25
Intesa Sanpaolo		
4.375%, 1/12/48 (2)	200,000	156
JPMorgan Chase		
2.95%, 10/1/26	210,000	195
JPMorgan Chase		
3.20%, 6/15/26	25,000	24
JPMorgan Chase		
3.30%, 4/1/26	30,000	29
JPMorgan Chase		
3.90%, 7/15/25	15,000	15
JPMorgan Chase, FRN		
3M USD LIBOR + 1.23%, 3.589%		
10/24/23	205,000	209
JPMorgan Chase, VR		
3.54%, 5/1/28 (6)	25,000	24
JPMorgan Chase, VR		
3.782%, 2/1/28 (6)	75,000	73
JPMorgan Chase, VR		
3.882%, 7/24/38 (6)	26,000	24
Kaiser Foundation Hospitals		
3.50%, 4/1/22	30,000	30
Keysight Technologies		
4.60%, 4/6/27	190,000	191
Kilroy Realty, REIT		
4.375%, 10/1/25	13,000	13

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Kimco Realty		
2.80%, 10/1/26	40,000	35
Kimco Realty		
3.30%, 2/1/25	25,000	24
Kraft Heinz		
4.375%, 6/1/46	35,000	30
Liberty Mutual Group		
4.85%, 8/1/44 (2)	95,000	95
Life Technologies		
6.00%, 3/1/20	115,000	120
Maple Escrow Subsidiary		
4.057%, 5/25/23 (2)	25,000	25
Marsh & McLennan		
4.35%, 1/30/47	70,000	69
Martin Marietta Materials		
4.25%, 7/2/24	65,000	65
Martin Marietta Materials		
4.25%, 12/15/47	40,000	35
Massachusetts Institute of Technology		
3.959%, 7/1/38	30,000	31
Mead Johnson Nutrition		
4.125%, 11/15/25	35,000	36
Microchip Technology		
3.922%, 6/1/21 (2)	15,000	15
Microsoft		
4.10%, 2/6/37	60,000	62
Microsoft		
4.25%, 2/6/47	190,000	201
Mizuho Financial Group		
3.549%, 3/5/23	205,000	203
Morgan Stanley		
3.125%, 7/27/26	30,000	28
Morgan Stanley		
3.625%, 1/20/27	85,000	82
Morgan Stanley		
3.70%, 10/23/24	20,000	20
Morgan Stanley		
3.75%, 2/25/23	120,000	120
Morgan Stanley		
4.875%, 11/1/22	225,000	233
Morgan Stanley, VR		
3.971%, 7/22/38 (6)	50,000	46
MPT Operating Partnership		
5.00%, 10/15/27	50,000	48
MPT Operating Partnership		
5.25%, 8/1/26	25,000	24
NiSource		
4.375%, 5/15/47	62,000	61
O'Reilly Automotive		
3.80%, 9/1/22	100,000	101
Omnicom Group		
3.60%, 4/15/26	100,000	96
Oracle		
3.80%, 11/15/37	50,000	47
Plains All American Pipeline		
2.85%, 1/31/23	15,000	14
Plains All American Pipeline		
4.65%, 10/15/25	65,000	65

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
President & Fellows of Harvard College		
3.619%, 10/1/37	20,000	20
Principal Financial Group, VR		
4.70%, 5/15/55 (6)	70,000	70
QVC		
5.125%, 7/2/22	125,000	128
Regency Centers		
3.60%, 2/1/27	30,000	29
Regency Centers		
4.125%, 3/15/28	15,000	15
Reinsurance Group of America		
5.00%, 6/1/21	30,000	31
Reinsurance Group of America		
6.45%, 11/15/19	45,000	47
Reynolds American		
5.85%, 8/15/45	30,000	33
Royal Bank of Scotland, VR		
3.498%, 5/15/23 (6)	215,000	208
Sabine Pass Liquefaction		
4.20%, 3/15/28	20,000	19
Sabine Pass Liquefaction		
5.00%, 3/15/27	165,000	168
SBA Tower Trust		
2.898%, 10/8/19 (2)	45,000	45
SBA Tower Trust		
3.156%, 10/8/20 (2)	30,000	30
SBA Tower Trust		
3.168%, 4/11/22 (2)	65,000	64
SBA Tower Trust		
3.448%, 3/15/23 (2)	30,000	30
SBA Tower Trust, STEP		
3.869%, 10/15/49 (2)	80,000	81
Sempre Energy		
3.25%, 6/15/27	20,000	19
Sempre Energy		
3.40%, 2/1/28	130,000	122
Sempre Energy		
3.80%, 2/1/38	30,000	27
Sempre Energy		
4.00%, 2/1/48	20,000	18
Shire Acquisition Investments		
Ireland		
2.875%, 9/23/23	95,000	89
Shire Acquisition Investments		
Ireland		
3.20%, 9/23/26	65,000	59
Sigma Alimentos		
4.125%, 5/2/26	200,000	188
Tencent Holdings		
3.80%, 2/11/25 (5)	200,000	198
Thomson Reuters		
3.35%, 5/15/26	55,000	51
Time Warner Cable		
6.55%, 5/1/37	38,000	40
Time Warner Cable		
6.75%, 6/15/39	65,000	69
Transcanada Trust, VR		
5.30%, 3/15/77 (6)	65,000	61

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Transcontinental Gas Pipe Line		
4.00%, 3/15/28 (2)	15,000	15
Transcontinental Gas Pipe Line		
4.60%, 3/15/48 (2)	30,000	29
Transurban Finance		
3.375%, 3/22/27 (2)	15,000	14
Transurban Finance		
4.125%, 2/2/26 (2)	15,000	15
Trinity Acquisition,		
3.50%, 9/15/21	15,000	15
U.S. Airways PTT, Series 2013-1A		
3.95%, 11/15/25	26,029	26
UBS Group Funding Switzerland		
4.125%, 9/24/25 (2)	200,000	198
UniCredit		
4.625%, 4/12/27 (2)	200,000	186
Ventas Realty		
3.25%, 10/15/26	60,000	55
VEREIT Operating Partnership		
3.95%, 8/15/27	45,000	42
VEREIT Operating Partnership		
4.60%, 2/6/24	75,000	75
VEREIT Operating Partnership		
4.875%, 6/1/26	20,000	20
Verizon Communications		
3.376%, 2/15/25	125,000	120
Verizon Communications		
5.15%, 9/15/23	125,000	133
Visa		
4.30%, 12/14/45	115,000	119
Vodafone Group		
4.125%, 5/30/25	25,000	25
Vodafone Group		
4.375%, 5/30/28	65,000	64
Vodafone Group		
5.00%, 5/30/38	70,000	69
Voya Financial		
3.125%, 7/15/24	55,000	52
Vulcan Materials		
4.50%, 6/15/47	63,000	57
Western Gas Partners		
4.00%, 7/1/22	70,000	69
Williams Partners		
4.85%, 3/1/48	55,000	52
Willis North America		
3.60%, 5/15/24	80,000	77
Woodside Finance		
3.65%, 3/5/25 (2)	45,000	44
Woodside Finance		
3.70%, 9/15/26 (2)	40,000	38
Woodside Finance		
3.70%, 3/15/28 (2)	181,000	172
WPP Finance 2010		
3.625%, 9/7/22	40,000	39
WPP Finance 2010		
4.75%, 11/21/21	60,000	62
Total Corporate Bonds		
(Cost \$17,152)		16,641

	Shares/Par	\$ Value
(Cost and value in \$000s)		
ASSET-BACKED SECURITIES 3.3%		
Ally Auto Receivables Trust		
Series 2014-3, Class A4, 1.72%		
3/16/20	55,049	55
Ally Auto Receivables Trust		
Series 2015-2, Class D, 3.01%,		
3/15/22 (2)	5,000	5
Ally Auto Receivables Trust		
Series 2017-2, Class B, 2.33%		
6/15/22	5,000	5
AmeriCredit Automobile Receivables		
Trust		
Series 2015-3, Class B, 2.08%		
9/8/20	29,465	29
AmeriCredit Automobile Receivables		
Trust		
Series 2015-4, Class C, 2.88%		
7/8/21	15,000	15
AmeriCredit Automobile Receivables		
Trust		
Series 2015-4, Class D, 3.72%		
12/8/21	70,000	71
AmeriCredit Automobile Receivables		
Trust		
Series 2016-1, Class A3, 1.81%		
10/8/20	5,696	6
AmeriCredit Automobile Receivables		
Trust		
Series 2016-2, Class C, 2.87%		
11/8/21	10,000	10
AmeriCredit Automobile Receivables		
Trust		
Series 2016-4, Class D, 2.74%		
12/8/22	90,000	89
AmeriCredit Automobile Receivables		
Trust		
Series 2017-1, Class C, 2.71%		
8/18/22	10,000	10
AmeriCredit Automobile Receivables		
Trust		
Series 2017-1, Class D, 3.13%		
1/18/23	110,000	109
ARI Fleet Lease Trust		
Series 2017-A, Class A2, 1.91%		
4/15/26 (2)	86,012	86
Ascentium Equipment Receivables		
Series 2017-1A, Class A2, 1.87%		
7/10/19 (2)	2,722	3
Ascentium Equipment Receivables		
Series 2017-1A, Class A3, 2.29%		
6/10/21 (2)	5,000	5
Avis Budget Rental Car Funding		
Series 2013-1A, Class A, 1.92%		
9/20/19 (2)	50,000	50
Avis Budget Rental Car Funding		
Series 2013-2A, Class A, 2.97%		
2/20/20 (2)	100,000	100

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Avis Budget Rental Car Funding		
Series 2014-2A, Class A, 2.50%		
2/20/21 (2)	100,000	99
Avis Budget Rental Car Funding		
Series 2016-1A, Class A, 2.99%		
6/20/22 (2)	100,000	99
Betony CLO 2		
Series 2018-1A, Class A1, FRN		
3M USD LIBOR + 1.08%, 2.314%		
4/30/31 (2)	250,000	250
BlueMountain		
Series 2015-2A, Class A1R, CLO		
FRN		
3M USD LIBOR + 0.93%, 0.00		
7/18/27 (2)	250,000	250
Bluemountain		
Series 2015-2A, Class BR, CLO		
FRN		
3M USD LIBOR + 1.50%, 0.00		
7/18/27 (2)	250,000	250
BMW Vehicle Lease Trust		
Series 2017-1, Class A3, 1.98%		
5/20/20	65,000	65
Capital Auto Receivables Asset Trust		
Series 2015-4, Class A4, 2.01%		
7/20/20	10,000	10
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	64
CCG Receivables Trust		
Series 2017-1, Class A2, 1.84%		
11/14/23 (2)	86,411	86
Chrysler Capital Auto Receivables		
Trust		
Series 2016-BA, Class A3, 1.64%		
7/15/21 (2)	19,069	19
CNH Equipment Trust		
Series 2017-C, Class B, 2.54%		
5/15/25	5,000	5
DB Master Finance		
Series 2017-1A, Class A2I		
3.629%, 11/20/47 (2)	49,750	49
Driven Brands Funding		
Series 2018-1A, Class A2, 4.739%		
4/20/48 (2)	25,000	25
Elara HGV Timeshare Issuer		
Series 2014-A, Class A, 2.53%		
2/25/27 (2)	23,633	23
Enterprise Fleet Financing		
Series 2018-1, Class A2, 2.87%		
10/20/23 (2)	100,000	100
Ford Credit Auto Owner Trust		
Series 2016-C, Class A4, 1.40%		
2/15/22	60,000	58
Ford Credit Auto Owner Trust		
Series 2018-1, Class C, 3.49%		
7/15/31 (2)	100,000	98

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Ford Credit Floorplan Master Owner Trust		
Series 2016-5, Class B, 2.16%		
11/15/21	37,000	37
GM Financial Automobile Leasing Trust		
Series 2015-3, Class A4, 1.81%		
11/20/19	57,359	57
GM Financial Consumer Automobile Receivables Trust		
Series 2017-3A, Class B, 2.33%		
3/16/23 (2)	10,000	10
GMF Floorplan Owner Revolving Trust		
Series 2018-1, Class A, FRN		
1M USD LIBOR + 0.30%, 2.219%		
3/15/22 (2)	145,000	145
GMF Floorplan Owner Revolving Trust		
Series 2018-1, Class C, 3.25%		
3/15/22 (2)	100,000	100
Halcyon Loan Advisors Funding FRN		
Series 2014-3A, Class AR, CLO		
3M USD LIBOR + 1.10%, 3.462%		
10/22/25 (2)	250,000	250
Hardee's Funding		
Series 2018-1A, Class AI, 4.25%		
6/20/48 (2)	40,000	40
Hardee's Funding		
Series 2018-1A, Class AII, 4.959%		
6/20/48 (2)	55,000	55
Hilton Grand Vacations Trust		
Series 2014-AA, Class A, 1.77%		
11/25/26 (2)	25,834	25
Huntington Auto Trust		
Series 2016-1, Class A4, 1.93%		
4/15/22	35,000	34
Hyundai Auto Lease Securitization Trust		
Series 2016-C, Class A3, 1.49%		
2/18/20 (2)	90,737	90
Hyundai Auto Receivables Trust		
Series 2016-B, Class D, 2.68%		
9/15/23	35,000	34
Jimmy Johns Funding		
Series 2017-1A, Class A2I, 3.61%		
7/30/47 (2)	24,813	25
Kubota Credit Owner Trust		
Series 2016-1A, Class A3, 1.50%		
7/15/20 (2)	95,351	95
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 (2)	73,421	73
MMAF Equipment Finance		
Series 2015-AA, Class A4, 1.93%		
7/16/21 (2)	80,806	80

	Shares/Par	\$ Value
(Cost and value in \$000s)		
MMAF Equipment Finance		
Series 2016-AA, Class A4, 1.76%		
1/17/23 (2)	100,000	97
MMAF Equipment Finance		
Series 2018-A, Class A4, 3.39%		
1/10/25 (2)	100,000	100
MVW Owner Trust		
Series 2014-1A, Class A, 2.25%		
9/22/31 (2)	32,725	32
Navient Student Loan Trust		
Series 2016-1A, Class A, FRN		
1M USD LIBOR + 0.70%, 2.791%		
2/25/70 (2)	115,041	115
Navient Student Loan Trust		
Series 2018-1A, Class A2, FRN		
1M USD LIBOR + 0.35%, 2.441%		
3/25/67 (2)	100,000	100
Navient Student Loan Trust		
Series 2018-2A, Class A2, FRN		
1M USD LIBOR + 0.38%, 2.471%		
3/25/67 (2)	100,000	100
Neuberger Berman XIX		
Series 2015-19A, Class A2R2		
CLO, FRN		
3M USD LIBOR + 1.15%, 3.498%		
7/15/27 (2)	250,000	249
Nissan Auto Lease Trust		
Series 2017-A, Class A3, 1.91%		
4/15/20	65,000	64
Nissan Auto Lease Trust		
Series 2017-B, Class A3, 2.05%		
9/15/20	25,000	25
Palmer Square		
Series 2018-2A, Class A1A, FRN		
3M USD LIBOR + 1.10%, 0.00		
7/16/31 (2)	250,000	250
Santander Drive Auto Receivables Trust		
Series 2014-3, Class D, 2.65%		
8/17/20	8,184	8
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	584	1
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
Santander Drive Auto Receivables Trust		
Series 2017-3, Class B, 2.19%		
3/15/22	30,000	30

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Santander Drive Auto Receivables Trust		
Series 2018-1, Class C, 2.96%		
3/15/24	20,000	20
Santander Drive Auto Receivables Trust		
Series 2018-2, Class B, 3.03%		
9/15/22	25,000	25
Santander Drive Auto Receivables Trust		
Series 2018-2, Class C, 3.35%		
7/17/23	25,000	25
Santander Retail Auto Lease Trust		
Series 2017-A, Class A3, 2.22%		
1/20/21 (2)	25,000	25
Sierra Timeshare Receivables Funding		
Series 2015-1A, Class A, 2.40%		
3/22/32 (2)	17,979	18
Sierra Timeshare Receivables Funding		
Series 2015-3A, Class A, 2.58%		
9/20/32 (2)	24,585	24
Sierra Timeshare Receivables Funding		
Series 2016-1A, Class A, 3.08%		
3/21/33 (2)	45,363	45
SLM Student Loan Trust		
Series 2008-9, Class A, FRN		
3M USD LIBOR + 1.50%, 3.86%		
4/25/23	56,152	57
SMART Trust		
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 (2)	78,981	78
SMB Private Education Loan Trust		
Series 2015-C, Class A2A, 2.75%		
7/15/27 (2)	70,712	70
SMB Private Education Loan Trust		
Series 2016-B, Class A2A, 2.43%		
2/17/32 (2)	93,992	91
SMB Private Education Loan Trust		
Series 2017-B, Class A2A, 2.82%		
10/15/35 (2)	200,000	194
SMB Private Education Loan Trust		
Series 2018-A, Class A2A, 3.50%		
2/15/36 (2)	105,000	105
Synchrony Credit Card Master Note Trust		
Series 2015-4, Class B, 2.62%		
9/15/23	25,000	25
Synchrony Credit Card Master Note Trust		
Series 2018-1, Class A, 2.97%		
3/15/24	75,000	75
Synchrony Credit Card Master Note Trust		
Series 2018-1, Class C, 3.36%		
3/15/24	70,000	70

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Synchrony Credit Card Master Note Trust		
Series 2018-2, Class C, 3.87%		
5/15/26	125,000	126
Verizon Owner Trust		
Series 2017-3A, Class B, 2.38%		
4/20/22 (2)	100,000	98
Volvo Financial Equipment		
Series 2016-1A, Class A3, 1.67%		
2/18/20 (2)	29,594	29
Volvo Financial Equipment Master Owner Trust		
Series 2017-A, Class A, FRN		
1M USD LIBOR + 0.50%, 2.573%		
11/15/22 (2)	50,000	50
World Omni Auto Lease Securitization Trust		
Series 2018-A, Class B, 3.06%		
5/15/23	20,000	20
World Omni Auto Receivables Trust		
Series 2017-A, Class A3, 1.93%		
9/15/22	130,000	128
World Omni Auto Receivables Trust		
Series 2018-A, Class A2, 2.19%		
5/17/21	10,000	10
World Omni Auto Receivables Trust		
Series 2018-B, Class B, 3.17%		
1/15/25	45,000	45
Total Asset-Backed Securities		
(Cost \$6,158)		6,121

NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 3.4%

225 Liberty Street Trust		
Series 2016-225L, Class A		
3.597%, 2/10/36 (2)	100,000	99
Ashford Hospitality Trust		
Series 2018-ASHF, Class B, ARM		
1M USD LIBOR + 1.25%, 3.323%		
4/15/35 (2)	45,000	45
Ashford Hospitality Trust		
Series 2018-ASHF, Class C, ARM		
1M USD LIBOR + 1.40%, 3.473%		
4/15/35 (2)	20,000	20
Atrium Hotel Portfolio Trust		
Series 2017-ATRM, Class A, ARM		
1M USD LIBOR + 0.93%, 3.003%		
12/15/36 (2)	100,000	100
BANK 2017		
Series 2017-BNK4, Class A4		
3.625%, 5/15/50	60,000	60
BANK 2017		
Series 2017-BNK5, Class A5		
3.39%, 6/15/60	65,000	63
BANK 2017		
Series 2017-BNK5, Class B, ARM		
3.896%, 6/15/60	80,000	78

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Bayview Mortgage Fund Trust		
Series 2017-RT3, Class A, CMO		
ARM		
3.50%, 1/28/58 (2)	83,294	83
Bayview Opportunity Master Fund		
Series 2017-RT1, Class A1, CMO		
ARM		
3.00%, 3/28/57 (2)	75,618	74
BENCHMARK Mortgage Trust		
Series 2018-B1, Class C, ARM		
4.256%, 1/15/51	10,000	10
BX Trust		
Series 2017-IMC, Class A, ARM		
1M USD LIBOR + 1.05%, 3.123%		
10/15/32 (2)	100,000	100
BXP Trust		
Series 2017-GM, Class A, 3.379%		
6/13/39 (2)	85,000	83
Citigroup Commercial Mortgage		
Trust		
Series 2014-GC21, Class AS		
4.026%, 5/10/47	35,000	35
Citigroup Commercial Mortgage		
Trust		
Series 2015-GC27, Class AS		
3.571%, 2/10/48	15,000	15
Citigroup Commercial Mortgage		
Trust		
Series 2016-GC36, Class B, ARM		
4.915%, 2/10/49	55,000	57
Citigroup Commercial Mortgage		
Trust		
Series 2018-B2, Class C, ARM		
4.831%, 3/10/51	30,000	30
COLT Mortgage Loan Trust		
Series 2018-1, Class A2, CMO		
ARM		
2.981%, 2/25/48 (2)	80,490	80
Commercial Mortgage PTC		
Series 2014-UBS6, Class AM		
4.048%, 12/10/47	110,000	111
Commercial Mortgage PTC		
Series 2015-CR25, Class C, ARM		
4.696%, 8/10/48	20,000	20
Commercial Mortgage PTC		
Series 2015-LC23, Class AM, ARM		
4.158%, 10/10/48	50,000	51
Commercial Mortgage PTC		
Series 2016-CR28, Class A4		
3.762%, 2/10/49	45,000	45
Commercial Mortgage PTC		
Series 2016-CR28, Class AHR		
3.651%, 2/10/49	29,257	29
Commercial Mortgage PTC		
Series 2016-CR28, Class D, ARM		
4.052%, 2/10/49	25,000	23
Commercial Mortgage Trust		
Series 2014-CR21, Class A3		
3.528%, 12/10/47	75,000	75

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Commercial Mortgage Trust		
Series 2015-CR24, Class A5		
3.696%, 8/10/48	50,000	50
Commercial Mortgage Trust		
Series 2015-CR24, Class AM, ARM		
4.028%, 8/10/48	25,000	25
Commercial Mortgage Trust		
Series 2015-CR25, Class B, ARM		
4.696%, 8/10/48	95,000	99
Commercial Mortgage Trust		
Series 2015-CR26, Class A4		
3.63%, 10/10/48	80,000	80
Commercial Mortgage Trust		
Series 2015-LC21, Class B, ARM		
4.454%, 7/10/48	45,000	45
Commercial Mortgage Trust		
Series 2015-PC1, Class B, ARM		
4.589%, 7/10/50	20,000	20
Connecticut Avenue Securities		
Series 2017-C01, Class 1M1		
CMO, ARM		
1M USD LIBOR + 1.30%, 3.391%		
7/25/29	27,716	28
Connecticut Avenue Securities		
Series 2017-C03, Class 1M1		
CMO, ARM		
1M USD LIBOR + 0.95%, 3.041%		
10/25/29	14,504	15
Connecticut Avenue Securities		
Series 2017-C06, Class 2M2		
CMO, ARM		
1M USD LIBOR + 2.80%, 4.891%		
2/25/30	115,000	120
Connecticut Avenue Securities		
Series 2017-C07, Class 2M1		
CMO, ARM		
1M USD LIBOR + 0.65%, 2.741%		
5/25/30	19,971	20
Connecticut Avenue Securities		
Series 2017-C07, Class 2M2		
CMO, ARM		
1M USD LIBOR + 2.50%, 4.591%		
5/25/30	120,000	122
Connecticut Avenue Securities		
Series 2018-C01, Class 1M1		
CMO, ARM		
1M USD LIBOR + 0.60%, 2.691%		
7/25/30	193,648	193
Connecticut Avenue Securities		
Series 2018-C02, Class 2M2		
CMO, ARM		
1M USD LIBOR + 2.20%, 4.291%		
8/25/30	80,000	80
Connecticut Avenue Securities		
Series 2018-C03, Class 1M2		
CMO, ARM		
1M USD LIBOR + 2.15%, 4.241%		
10/25/30	55,000	55

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Credit Suisse Mortgage Capital Certificates Series 2015-GLPB, Class A 3.639%, 11/15/34 (2)	100,000	101
CSAIL Commercial Mortgage Trust Series 2015-C3, Class A4, 3.718% 8/15/48	25,000	25
CSAIL Commercial Mortgage Trust Series 2016-C6, Class A5, 3.09% 1/15/49	50,000	48
Deephaven Residential Mortgage Trust Series 2018-2A, Class A1, CMO ARM 3.479%, 4/25/58 (2)	96,964	97
FREMF Mortgage Trust Series 2018-K731, Class B 3.909%, 2/25/25 (2)	35,000	34
Galton Funding Mortgage Trust Series 2018-1, Class A23, CMO ARM 3.50%, 11/25/57 (2)	85,819	84
Goldman Sachs Mortgage Securities Trust Series 2013-GC16, Class B, ARM 5.161%, 11/10/46	120,000	127
Goldman Sachs Mortgage Securities Trust Series 2014-GC26, Class A5 3.629%, 11/10/47	25,000	25
Goldman Sachs Mortgage Securities Trust Series 2015-GC34, Class A4 3.506%, 10/10/48	60,000	60
Goldman Sachs Mortgage Securities Trust Series 2015-GC34, Class AS 3.911%, 10/10/48	55,000	55
Great Wolf Trust Series 2017-WOLF, Class A, ARM 1M USD LIBOR + 0.85%, 3.073% 9/15/34 (2)	100,000	100
Hilton Orlando Trust Series 2018-ORL, Class A, ARM 1M USD LIBOR + 0.77%, 2.843% 12/15/34 (2)	100,000	100
JPMorgan Barclays Bank Commercial Mortgage Securities Trust Series 2014-C19, Class AS, ARM 4.243%, 4/15/47	35,000	36
JPMorgan Barclays Bank Commercial Mortgage Securities Trust Series 2014-C22, Class A4 3.801%, 9/15/47	35,000	35
JPMorgan Chase Commercial Mortgage Securities Trust Series 2013-LC11, Class A5 2.96%, 4/15/46	30,000	29

	Shares/Par	\$ Value
(Cost and value in \$000s)		
JPMorgan Chase Commercial Mortgage Securities Trust Series 2016-JP2, Class AS 3.056%, 8/15/49	35,000	33
JPMorgan Chase Commercial Mortgage Securities Trust Series 2016-JP3, Class B, ARM 3.397%, 8/15/49	20,000	19
JPMorgan Chase Commercial Mortgage Securities Trust Series 2017-JP5, Class AS, ARM 3.876%, 3/15/50	95,000	94
JPMorgan Deutsche Bank Commercial Mortgage Securities Trust Series 2016-C1, Class AM 3.539%, 5/10/49	100,000	97
JPMorgan Deutsche Bank Commercial Mortgage Securities Trust Series 2016-C2, Class A4, 3.144% 6/15/49	25,000	24
JPMorgan Deutsche Bank Commercial Mortgage Securities Trust Series 2018-C8, Class C, ARM 4.746%, 6/15/51	35,000	36
Mill City Mortgage Loan Trust Series 2016-1, Class A1, CMO ARM 2.50%, 4/25/57 (2)	61,448	60
Morgan Stanley Bank of America Merrill Lynch Trust Series 2014-C18, Class 300A 3.749%, 8/15/31	25,000	25
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 4.496%, 5/15/48	15,000	15
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C27, Class AS 4.068%, 12/15/47	40,000	41
Morgan Stanley Bank of America Merrill Lynch Trust Series 2016-C29, Class A4 3.325%, 5/15/49	25,000	24
Morgan Stanley Capital I Trust Series 2015-MS1, Class AS, ARM 4.165%, 5/15/48	10,000	10
Morgan Stanley Capital I Trust Series 2017-ASHF, Class B, ARM 1M USD LIBOR + 1.25%, 3.323% 11/15/34 (2)	90,000	90
Morgan Stanley Capital I Trust Series 2017-H1, Class A5, 3.53% 6/15/50	80,000	79

T. ROWE PRICE PERSONAL STRATEGY BALANCED PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Morgan Stanley Capital I Trust Series 2017-JWDR, Class A, ARM 1M USD LIBOR + 0.85%, 2.923% 11/15/34 (2)	70,000	70
Morgan Stanley Capital I Trust Series 2017-JWDR, Class B, ARM 1M USD LIBOR + 1.20%, 3.273% 11/15/34 (2)	45,000	45
RETL Series 2018-RVP, Class A, ARM 1M USD LIBOR + 1.10%, 3.173% 3/15/33 (2)	117,712	118
Seasoned Credit Risk Transfer Trust Series 2016-1, Class M1, CMO ARM 3.00%, 9/25/55 (2)	25,000	24
Sequoia Mortgage Trust Series 2013-4, Class B1, ARM CMO 3.488%, 4/25/43	87,725	86
Sequoia Mortgage Trust Series 2017-CH2, Class A19, ARM CMO 4.00%, 12/25/47 (2)	82,171	83
STACR Trust Series 2018-DNA2, Class M1 ARM, CMO 1M USD LIBOR + 0.80%, 2.857% 12/25/30 (2)	120,000	120
STACR Trust Series 2018-DNA2, Class M2 ARM, CMO 1M USD LIBOR + 2.15%, 4.207% 12/25/30 (2)	45,000	45
Structured Agency Credit Risk Debt Notes Series 2016-DNA1, Class M2 CMO, ARM 1M USD LIBOR + 2.90%, 4.991% 7/25/28	239,645	246
Structured Agency Credit Risk Debt Notes Series 2018-DNA1, Class M1 CMO, ARM 1M USD LIBOR + 0.45%, 2.541% 7/25/30	24,208	24
Structured Agency Credit Risk Debt Notes Series 2018-HQA1, Class M2 CMO, ARM 1M USD LIBOR + 2.30%, 4.391% 9/25/30	120,000	120
Structured Agency Credit Risk Debt Notes Series 2018-SPI1, Class M2, CMO ARM 3.746%, 2/25/48 (2)	20,000	18
Structured Agency Credit Risk Debt Notes Series 2018-SPI2, Class M2, ARM CMO 3.82%, 5/25/48 (2)	10,000	9

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Towd Point Mortgage Trust Series 2015-3, Class A1B, CMO ARM 3.00%, 3/25/54 (2)	38,705	38
Towd Point Mortgage Trust Series 2015-5, Class A1B, CMO ARM 2.75%, 5/25/55 (2)	50,801	50
Towd Point Mortgage Trust Series 2015-5, Class M1, CMO ARM 3.50%, 5/25/55 (2)	100,000	99
Towd Point Mortgage Trust Series 2016-1, Class A1B, CMO ARM 2.75%, 2/25/55 (2)	46,553	46
Towd Point Mortgage Trust Series 2017-1, Class A1, CMO ARM 2.75%, 10/25/56 (2)	73,098	72
Towd Point Mortgage Trust Series 2017-1, Class M1, CMO ARM 3.75%, 10/25/56 (2)	100,000	100
Towd Point Mortgage Trust Series 2017-3, Class A1, CMO ARM 2.75%, 7/25/57 (2)	83,621	82
Towd Point Mortgage Trust Series 2018-2, Class A1, CMO ARM 3.25%, 3/25/58 (2)	148,655	147
Towd Point Mortgage Trust 2018-3 Series 2018-3, Class A1, VR 3.75%, 5/25/58 (2)	100,000	100
Wells Fargo Commercial Mortgage Trust Series 2015-C31, Class A4 3.695%, 11/15/48	75,000	75
Wells Fargo Commercial Mortgage Trust Series 2015-LC20, Class C, ARM 4.056%, 4/15/50	35,000	34
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class C, ARM 4.39%, 7/15/58	10,000	10
Wells Fargo Commercial Mortgage Trust Series 2016-C34, Class A4 3.096%, 6/15/49	70,000	67
Wells Fargo Commercial Mortgage Trust Series 2016-LC24, Class AS 3.367%, 10/15/49	135,000	130
Wells Fargo Commercial Mortgage Trust Series 2017-C38, Class B, ARM 3.917%, 7/15/50	100,000	98

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Wells Fargo Commercial Mortgage Trust		
Series 2017-C39, Class B, 4.025%		
9/15/50	125,000	123
WFRBS Commercial Mortgage Trust		
Series 2013-C13, Class A4		
3.001%, 5/15/45	60,000	59
WFRBS Commercial Mortgage Trust		
Series 2014-C19, Class A5		
4.101%, 3/15/47	40,000	41
WFRBS Commercial Mortgage Trust		
Series 2014-C20, Class AS		
4.176%, 5/15/47	60,000	60
Total Non-U.S. Government Mortgage-Backed Securities		
(Cost \$6,480)		6,390

U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 5.5%

U.S. Government Agency Obligations 4.0% (8)

Federal Home Loan Mortgage		
1.875%, 4/25/22	20,949	21
2.50%, 4/1/30	45,013	44
3.00%, 12/1/42 - 4/1/43	156,150	153
3.50%, 8/1/42 - 3/1/46	426,386	427
4.00%, 8/1/40 - 8/1/45	164,125	169
4.50%, 11/1/18 - 5/1/42	152,569	160
5.00%, 10/1/18 - 8/1/40	52,521	55
5.50%, 11/1/18	129	—
6.00%, 8/1/21 - 8/1/38	20,343	21
6.50%, 3/1/32 - 4/1/32	3,188	4
7.00%, 6/1/32	1,251	1
Federal Home Loan Mortgage, ARM		
12M USD LIBOR + 1.785%		
3.535%, 9/1/32	121	—
12M USD LIBOR + 1.815%		
3.564%, 1/1/37	3,164	3
12M USD LIBOR + 1.742%		
3.616%, 2/1/37	7,660	8
Federal National Mortgage Assn.		
2.50%, 5/1/32 - 6/1/45	172,993	165
3.00%, 6/1/27 - 2/1/48	1,539,139	1,501
3.50%, 11/1/32 - 8/1/56	1,777,058	1,775
4.00%, 11/1/40 - 7/1/48	1,211,437	1,240
4.50%, 12/1/20 - 9/1/42	167,563	176
5.00%, 11/1/18 - 7/1/42	143,027	153
5.50%, 12/1/18 - 9/1/41	152,108	167
6.00%, 8/1/21 - 1/1/41	133,351	147
6.50%, 7/1/32 - 5/1/40	60,314	67
7.00%, 4/1/32	560	1
Federal National Mortgage Assn.		
ARM, 12M USD LIBOR +		
1.814%, 4.155%, 8/1/36	5,858	6
Federal National Mortgage Assn.		
CMO, 4.00%, 6/25/44	79,308	81

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Federal National Mortgage Assn.		
CMO, IO, 6.50%, 2/25/32	1,034	—
Federal National Mortgage Assn., TBA		
2.50%, 7/1/33	155,000	151
3.00%, 7/1/33 - 7/1/48	250,000	245
4.50%, 7/1/48	400,000	416
		7,357
U.S. Government Obligations 1.5%		
Government National Mortgage Assn.		
3.00%, 7/15/43 - 12/20/46	362,357	356
3.50%, 12/20/42 - 2/20/48	400,364	402
4.00%, 7/20/42 - 5/20/47	434,586	447
4.50%, 10/20/39 - 8/20/47	358,332	375
5.00%, 3/20/34 - 7/20/48	764,005	805
5.50%, 10/20/32 - 6/20/44	34,007	38
6.00%, 4/15/36 - 12/20/38	20,822	23
6.50%, 3/15/26 - 12/20/33	5,345	6
7.00%, 9/20/27	4,325	5
8.00%, 4/15/26	876	1
Government National Mortgage Assn., CMO		
3.00%, 11/20/47-12/20/47	76,504	76
Government National Mortgage Assn., CMO, IO		
4.50%, 2/20/39-12/20/39	18,129	1
Government National Mortgage Assn.		
TBA, 4.50%, 7/20/48	265,000	275
		2,810
Total U.S. Government & Agency Mortgage-Backed Securities		
(Cost \$10,373)		10,167

U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 3.4%

U.S. Treasury Obligations 3.4%

U.S. Treasury Bonds		
2.75%, 8/15/47	170,000	162
U.S. Treasury Bonds		
2.75%, 11/15/47	270,000	257
U.S. Treasury Bonds		
2.875%, 11/15/46	195,000	191
U.S. Treasury Bonds		
3.00%, 11/15/44	200,000	200
U.S. Treasury Bonds		
3.00%, 5/15/45	290,000	291
U.S. Treasury Bonds		
3.00%, 5/15/47	105,000	105
U.S. Treasury Bonds		
3.00%, 2/15/48	105,000	105
U.S. Treasury Bonds		
3.125%, 2/15/43 (9)	485,000	497
U.S. Treasury Bonds		
3.375%, 5/15/44	280,000	300
U.S. Treasury Bonds		
4.625%, 2/15/40	305,000	387

	Shares/Par	\$ Value
(Cost and value in \$000s)		
U.S. Treasury Bonds		
8.00%, 11/15/21	60,000	70
U.S. Treasury Inflation Indexed Bonds		
0.50%, 1/15/28	590,139	577
U.S. Treasury Inflation-Indexed Bonds		
0.625%, 4/15/23	287,471	287
U.S. Treasury Inflation-Indexed Notes		
0.125%, 4/15/22	479,258	469
U.S. Treasury Inflation-Indexed Notes		
0.375%, 7/15/27	54,284	53
U.S. Treasury Inflation-Indexed Notes		
0.625%, 1/15/26	198,656	198
U.S. Treasury Notes		
0.875%, 6/15/19	425,000	419
U.S. Treasury Notes		
1.375%, 5/31/21	290,000	280
U.S. Treasury Notes		
1.50%, 11/30/19	80,000	79
U.S. Treasury Notes		
1.625%, 5/15/26	40,000	37
U.S. Treasury Notes		
1.75%, 11/15/20	370,000	363
U.S. Treasury Notes		
1.75%, 6/30/22	125,000	120
U.S. Treasury Notes		
1.875%, 6/30/20	70,000	69
U.S. Treasury Notes		
2.375%, 1/31/23	270,000	266
U.S. Treasury Notes		
2.75%, 2/15/28	595,000	590
		6,372
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost \$6,252)		6,372

FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 1.4%

Bonos de la Tesoreria de la Republica		
4.50%, 3/1/26 (CLP)	60,000,000	91
Codelco		
3.625%, 8/1/27 (2)	200,000	191
Perusahaan Gas Negara Persero		
5.125%, 5/16/24 (2)	200,000	203
Petroleos Mexicanos		
4.875%, 1/24/22	75,000	76
Petroleos Mexicanos		
5.375%, 3/13/22	10,000	10
Petroleos Mexicanos		
5.50%, 1/21/21 (5)	80,000	82
Petroleos Mexicanos		
6.375%, 2/4/21	70,000	74

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Province of Manitoba		
3.05%, 5/14/24	15,000	15
Province of Ontario		
2.50%, 9/10/21	120,000	118
Qatar Government International Bond		
3.875%, 4/23/23 (2)	200,000	200
Republic of Argentina		
5.875%, 1/11/28 (5)	100,000	82
Republic of Colombia		
4.00%, 2/26/24 (5)	280,000	280
Republic of Hungary		
3.00%, 10/27/27 (HUF)	14,130,000	48
Republic of Indonesia		
3.70%, 1/8/22 (2)	260,000	258
Republic of Peru		
6.15%, 8/12/32 (PEN)(2)	405,000	127
State Grid Overseas Investment		
2.75%, 5/4/22 (2)(5)	200,000	194
Syngenta Finance		
3.933%, 4/23/21 (2)	205,000	205
United Mexican States		
3.75%, 1/11/28	200,000	189
United Mexican States		
4.00%, 10/2/23 (5)	114,000	115
Total Foreign Government Obligations & Municipalities (Cost \$2,623)		2,558

MUNICIPAL SECURITIES 0.6%

California 0.1%

Bay Area Toll Auth., Build America		
6.263%, 4/1/49	40,000	56
East Bay Municipal Utility Dist. Water System, Build America		
5.874%, 6/1/40	60,000	76
Los Angeles Airport, Build America Series C		
7.053%, 5/15/40	35,000	49
San Diego County Water Auth. Fin. Build America, Series B		
6.138%, 5/1/49	25,000	33
		214

Colorado 0.0%

Denver City & County School District No. 1, Series B, COP		
4.242%, 12/15/37	20,000	21
		21

District of Columbia 0.0%

District of Columbia, Build America Series E		
5.591%, 12/1/34	10,000	12
		12

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Florida 0.0%		
State Board of Administration Fin. Corp., Hurricane Catastrophe Fund, Series A		
2.995%, 7/1/20	45,000	45
		45
Illinois 0.1%		
Metropolitan Water Reclamation Dist. of Greater Chicago, Build America		
5.72%, 12/1/38	60,000	74
		74
Maryland 0.1%		
Maryland Transportation Auth., Build America		
5.888%, 7/1/43	35,000	45
Maryland Transportation Auth., Build America, Series B		
5.754%, 7/1/41	70,000	88
		133
New York 0.1%		
Metropolitan Transportation Auth. Build America		
7.336%, 11/15/39	10,000	15
New York City, Build America, Series F1, GO		
6.271%, 12/1/37	50,000	65
New York City, Build America, Series H-1, GO		
5.846%, 6/1/40	55,000	69
Port Auth. of New York & New Jersey, Consolidated 174th		
4.458%, 10/1/62	85,000	90
		239
North Carolina 0.0%		
North Carolina Eastern Municipal Power Agency		
2.003%, 7/1/18	5,000	5
Univ. of North Carolina at Chapel Hill		
3.847%, 12/1/34	45,000	46
		51
Ohio 0.0%		
JobsOhio Beverage System, Series B		
4.532%, 1/1/35	25,000	27
		27
Oregon 0.0%		
Oregon, Taxable Pension, GO		
5.892%, 6/1/27	15,000	18
		18

	Shares/Par	\$ Value
(Cost and value in \$000s)		
South Carolina 0.0%		
South Carolina Public Service Auth. Taxable Obligation, Series E		
4.322%, 12/1/27	35,000	35
		35
Texas 0.0%		
Texas Transportation Commission 1st Tier, Build America, Series B		
5.178%, 4/1/30	10,000	11
		11
Utah 0.1%		
Utah Transit Auth., Build America Series B		
5.937%, 6/15/39	60,000	75
		75
Virginia 0.1%		
Univ. of Virginia, Build America		
5.00%, 9/1/40	35,000	42
Virginia Commonwealth Transportation Board, Build America		
5.35%, 5/15/35	10,000	12
Virginia Public Building Auth., Build America, Series B-2		
5.90%, 8/1/30	50,000	60
		114
Total Municipal Securities (Cost \$940)		1,069
BOND MUTUAL FUNDS 12.2%		
T. Rowe Price Inflation Protected Bond Fund, 4.91% (10)(11)	60,028	712
T. Rowe Price Institutional Emerging Markets Bond Fund		
5.74% (10)(11)	870,968	7,229
T. Rowe Price Institutional Floating Rate Fund, 4.94% (10)(11)	140,133	1,393
T. Rowe Price Institutional High Yield Fund, 5.94% (10)(11)	843,365	7,295
T. Rowe Price Institutional International Bond Fund		
2.27% (10)(11)	695,913	6,006
Total Bond Mutual Funds (Cost \$22,613)		22,635
EQUITY MUTUAL FUNDS 4.8%		
T. Rowe Price Institutional Emerging Markets Equity Fund (11)	167,465	6,469

	Shares/Par	\$ Value
(Cost and value in \$000s)		
T. Rowe Price Real Assets Fund		
- I Class (11)	215,229	2,508
Total Equity Mutual Funds		
(Cost \$6,170)		8,977
SHORT-TERM INVESTMENTS 5.9%		
Money Market Funds 5.9%		
T. Rowe Price Treasury Reserve Fund		
1.88% (11)(12)	10,938,000	10,938
		10,938
Total Short-Term Investments		
(Cost \$10,938)		10,938

Total Investments in Securities**101.9% of Net Assets (Cost \$150,710)**

	Shares/Par	\$ Value
(Cost and value in \$000s)		
SECURITIES LENDING COLLATERAL 0.5%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.5%		
Short-Term Funds 0.5%		
T. Rowe Price Short-Term Fund		
2.08% (11)(12)	97,094	971
Total Investments through Securities Lending Program with JPMorgan Chase Bank		971
Total Securities Lending Collateral (Cost \$971)		971

101.9% of Net Assets (Cost \$150,710)	\$	189,848
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‡ Shares/Par and Notional amount are denominated in U.S. dollars unless otherwise noted.

(1) Non-income producing

(2) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers – total value of such securities at June 30, 2018 amounts to \$11,990 and represents 6.4% of net assets.

(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 \$222 and represents 0.1% of net assets.

(4) Level 3 in fair value hierarchy. See Note 2.

(5) All or a portion of this security is on loan at June 30, 2018 – total value of such securities at period-end amounts to \$939. See Note 4.

(6) Security is a fix-to-float security, which carries a fixed coupon until a certain date, upon which it switches to a floating rate. Reference rate and spread is provided if the rate is currently floating.

(7) Perpetual security with no stated maturity date.

(8) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.

(9) At June 30, 2018, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.

(10) SEC 30-day yield

(11) Affiliated Company

(12) Seven-day yield

1M USD LIBOR One month USD LIBOR (London interbank offered rate)

3M USD LIBOR Three month USD LIBOR (London interbank offered rate)

12M USD LIBOR Twelve month USD LIBOR (London interbank offered rate)

ADR American Depositary Receipts

ARM Adjustable Rate Mortgage (ARM); rate shown is effective rate at period-end. The rates for certain ARMs are not based on a published reference rate and spread but may be determined using a formula-based on the rates of the underlying loans

AUD Australian Dollar

BRL Brazilian Real

CAD Canadian Dollar

CHF Swiss Franc

CLO Collateralized Loan Obligation

CLP Chilean Peso

CMO Collateralized Mortgage Obligation

CNH Offshore China Renminbi

COP Certificate of Participation

DKK Danish Krone

EUR Euro

FRN	Floating Rate Note
GBP	British Pound
GDR	Global Depositary Receipts
GO	General Obligation
HKD	Hong Kong Dollar
HUF	Hungarian Forint
IO	Interest-only security for which the fund receives interest on notional principal
JPY	Japanese Yen
KRW	South Korean Won
MXN	Mexican Peso
NOK	Norwegian Krone
PEN	Peruvian New Sol
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
SDR	Swedish Depositary Receipts
SEK	Swedish Krona
SGD	Singapore Dollar
STEP	Stepped coupon bond for which the coupon rate of interest adjusts on specified date(s); rate shown is effective rate at period-end.
TBA	To-Be-Announced purchase commitment; TBAs totaled \$1,087 (0.6% of net assets) at period-end - see Note 4.
TWD	Taiwan Dollar
USD	U.S. Dollar
VR	Variable Rate; rate shown is effective rate at period-end. The rates for certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and based on current market conditions.

(Amounts in 000s)

SWAPS 0.0%

	Notional Amount	Market Value	Initial Value	Unrealized Gain (Loss)
CENTRALLY CLEARED SWAPS 0.0%				
Credit Default Swaps, Protection Bought 0.0%				
United States 0.0%				
JPMorgan Chase, Protection Bought (Relevant Credit: Markit CDX.HY CDSI-S30, 5 Year Index), Pay 5.00% Quarterly, Receive upon credit default, 6/20/23	855 \$	(51) \$	(56) \$	5
Total United States				5
Total Centrally Cleared Credit Default Swaps				5
Net payments (receipts) of variation margin to date				(5)
Variation margin receivable (payable) on centrally cleared swaps			\$	—

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive	Deliver	Unrealized Gain (Loss)	
Bank of America Merrill Lynch	7/13/18	USD	63 HUF	15,679\$	7
Bank of America Merrill Lynch	7/13/18	HUF	8,711 USD	31	—
BNP Paribas	7/6/18	USD	96 CLP	59,935	4
CIBC World Markets	8/24/18	USD	23 MXN	453	1
Citibank	7/13/18	HUF	2,292 USD	8	—
Citibank	7/20/18	GBP	171 USD	233	(7)
Citibank	8/24/18	USD	47 EUR	39	1
Citibank	8/24/18	USD	47 MXN	906	1
Deutsche Bank	7/13/18	HUF	3,898 USD	14	—
Deutsche Bank	8/2/18	USD	38 BRL	131	4
Deutsche Bank	8/2/18	BRL	285 USD	74	(1)
HSBC Bank	7/13/18	USD	62 HUF	15,679	7
JPMorgan Chase	7/20/18	USD	498 GBP	353	31
JPMorgan Chase	7/20/18	GBP	182 USD	243	(2)
JPMorgan Chase	8/2/18	USD	38 BRL	132	4
JPMorgan Chase	8/24/18	USD	124 EUR	105	1
Morgan Stanley	8/2/18	USD	38 BRL	132	4
Morgan Stanley	8/24/18	EUR	98 USD	114	—
Morgan Stanley	8/24/18	USD	23 MXN	453	1
RBC Dominion	8/24/18	EUR	23 USD	27	—
State Street	7/6/18	CLP	59,935 USD	93	(1)
State Street	7/13/18	HUF	531 USD	2	—
State Street	8/2/18	BRL	110 USD	29	(1)
State Street	8/24/18	MXN	1,812 USD	91	(1)
State Street	8/24/18	USD	67 EUR	56	2
State Street	8/24/18	EUR	77 USD	90	1
State Street	10/5/18	USD	94 CLP	60,415	1
Net unrealized gain (loss) on open forward currency exchange contracts				\$	57

Futures Contracts

(\$000s)

	Expiration Date	Notional Amount	Value and Unrealized Gain (Loss)
Long, 6 U.S. Treasury Notes five year contracts	9/18	682\$	3
Short, 14 U.S. Treasury Notes ten year contracts	9/18	(1,683)	(8)
Long, 25 U.S. Treasury Notes two year contracts	9/18	5,296	2
Long, 11 Ultra U.S. Treasury Bonds contracts	9/18	1,755	35
Short, 10 Ultra U.S. Treasury Notes ten year contracts	9/18	(1,282)	(7)
Net payments (receipts) of variation margin to date			(26)
Variation margin receivable (payable) on open futures contracts			\$ (1)

Affiliated Companies

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that 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, 2018. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Inflation Protected Bond Fund	\$ —	\$ —	\$ 1
T. Rowe Price Institutional Emerging Markets Bond Fund	—	(630)	194
T. Rowe Price Institutional Emerging Markets Equity Fund	—	(410)	—
T. Rowe Price Institutional Floating Rate Fund	—	(11)	24
T. Rowe Price Institutional High Yield Fund	—	(282)	214
T. Rowe Price Institutional International Bond Fund	18	(149)	57
T. Rowe Price Real Assets Fund – I Class	—	(6)	—
T. Rowe Price Short-Term Fund	—	—	— ⁺⁺
T. Rowe Price Treasury Reserve Fund	—	—	54
Affiliates not held at period end	(6)	5	—
Totals	\$ 12#	\$ (1,483)	\$ 544⁺

Supplementary Investment Schedule

Affiliate	Value 12/31/17	Purchase Cost	Sales Cost	Value 6/30/18
T. Rowe Price Inflation Protected Bond Fund	\$ 610	\$ 102	\$ —	\$ 712
T. Rowe Price Institutional Emerging Markets Bond Fund	7,566	293	—	7,229
T. Rowe Price Institutional Emerging Markets Equity Fund	6,879	—	—	6,469
T. Rowe Price Institutional Floating Rate Fund	—	1,404	—	1,393
T. Rowe Price Institutional High Yield Fund	6,914	663	—	7,295
T. Rowe Price Institutional International Bond Fund	6,540	97	482	6,006
T. Rowe Price Real Assets Fund – I Class	2,514	—	—	2,508
T. Rowe Price Short-Term Fund	197	□	□	971
T. Rowe Price Treasury Reserve Fund	8,754	□	□	10,938
Affiliates not held at period end	453	—	458	—
			\$	43,521[^]

Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

⁺⁺ Excludes earnings on securities lending collateral, which are subject to rebates and fees such as described in Note 4.

⁺ Investment income comprised \$544 of dividend income and \$0 of interest income.

□ Purchase and sale information not shown for cash management funds.

[^] The cost basis of investments in affiliated companies was \$40,692.

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

June 30, 2018 (Unaudited)

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$150,710)	\$	189,848
Receivable for investment securities sold		1,838
Interest and dividends receivable		443
Foreign currency (cost \$70)		70
Unrealized gain on forward currency exchange contracts		70
Receivable for shares sold		15
Other assets		63
Total assets		<u>192,347</u>

Liabilities

Payable for investment securities purchased		4,752
Obligation to return securities lending collateral		971
Investment management and administrative fees payable		109
Payable for shares redeemed		148
Unrealized loss on forward currency exchange contracts		13
Variation margin payable on futures contracts		1
Other liabilities		86
Total liabilities		<u>6,080</u>

NET ASSETS	\$	<u>186,267</u>
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Net Assets Consist of:

Overdistributed net investment income	\$	(76)
Accumulated undistributed net realized gain		6,039
Net unrealized gain		39,224
Paid-in capital applicable to 8,852,492 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>141,080</u>

NET ASSETS	\$	<u>186,267</u>
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NET ASSET VALUE PER SHARE	\$	<u>21.04</u>
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The accompanying notes are an integral part of these financial statements.

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/18
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of \$80)	\$ 1,152
Interest	1,150
Securities lending	6
Total income	2,308
Expenses	
Investment management and administrative expense	831
Investment management fees waived	(110)
Total expenses	721
Net investment income	1,587
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	5,955
Futures	34
Swaps	(3)
Options written	5
Foreign currency transactions	(14)
Forward currency exchange contracts	14
Net realized gain	5,991
Change in net unrealized gain / loss	
Securities	(6,448)
Futures	22
Swaps	5
Options written	(2)
Forward currency exchange contracts	57
Other assets and liabilities denominated in foreign currencies	(4)
Change in net unrealized gain / loss	(6,370)
Net realized and unrealized gain / loss	(379)
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 1,208

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

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 1,587	\$ 2,436
Net realized gain	5,991	10,234
Change in net unrealized gain / loss	(6,370)	14,402
Increase in net assets from operations	1,208	27,072
Distributions to shareholders		
Net investment income	(1,663)	(2,600)
Net realized gain	-	(8,940)
Decrease in net assets from distributions	(1,663)	(11,540)
Capital share transactions *		
Shares sold	13,382	21,718
Distributions reinvested	1,663	11,540
Shares redeemed	(12,724)	(24,000)
Increase in net assets from capital share transactions	2,321	9,258
Net Assets		
Increase during period	1,866	24,790
Beginning of period	184,401	159,611
End of period	\$ 186,267	\$ 184,401
Undistributed (overdistributed) net investment income	(76)	-
*Share information		
Shares sold	626	1,035
Distributions reinvested	79	549
Shares redeemed	(596)	(1,168)
Increase in shares outstanding	109	416

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Equity Series, Inc., 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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost 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, are recorded as income tax expense. 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, if any, 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 respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. 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 March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

NOTE 2 - VALUATION

The fund's financial instruments are valued and its 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.

Debt securities generally are traded in the OTC market and 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; 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. Forward currency exchange contracts are valued using the prevailing forward exchange rate and are categorized in Level 2 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 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, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
Assets				
Common Stocks	\$ 70,905	\$ 25,536	\$ 129	\$ 96,570
Convertible Preferred Stocks	—	317	76	393
Fixed Income Securities ¹	—	49,364	—	49,364
Bond Mutual Funds	22,635	—	—	22,635
Equity Mutual Funds	8,977	—	—	8,977
Short-Term Investments	10,938	—	—	10,938
Securities Lending Collateral	971	—	—	971
Total Securities	114,426	75,217	205	189,848
Forward Currency Exchange Contracts	—	70	—	70
Total	\$ 114,426	\$ 75,287	\$ 205	\$ 189,918
Liabilities				
Swaps	\$ —	\$ —	\$ —	\$ —
Futures Contracts	1	—	—	1
Forward Currency Exchange Contracts	—	13	—	13
Total	\$ 1	\$ 13	\$ —	\$ 14

¹ Includes Convertible Bonds, Corporate Bonds, Asset-Backed Securities, Non-U.S. Government Mortgage-Backed Securities, U.S. Government & Agency Mortgage-Backed Securities, U.S. Government Agency Obligations (Excluding Mortgage-Backed), Foreign Government Obligations & Municipalities, Municipal Securities.

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2018.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2018. 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, 2018, totaled \$10,000 for the six months ended June 30, 2018.

(\$000s)	Beginning Balance 1/1/18	Gain (Loss) During Period	Total Purchases	Ending Balance 6/30/18
Investments in Securities				
Common Stocks	\$ 30	\$ 9	\$ 90	\$ 129
Convertible Preferred Stocks	44	1	31	76
Total Level 3	\$ 74	\$ 10	\$ 121	\$ 205

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2018, 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. The following table summarizes the fair value of the fund's derivative instruments held as of June 30, 2018, 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*	\$ 40
Foreign exchange derivatives	Forwards	70
Credit derivatives	Centrally Cleared Swaps*	5
Total		<u>\$ 115</u>
Liabilities		
Interest rate derivatives	Futures*	\$ 15
Foreign exchange derivatives	Forwards	13
Total		<u>\$ 28</u>

*The fair value presented includes cumulative gain (loss) on open futures contracts and centrally cleared swaps; 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, 2018, 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 [^]	Options Written	Futures	Forward Currency Exchange Contracts	Swaps	Total
Realized Gain (Loss)						
Interest rate derivatives	\$ —	\$ —	\$ 34	\$ —	\$ —	\$ 34
Foreign exchange derivatives	—	—	—	14	—	14
Credit derivatives	4	5	—	—	(3)	6
Total	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 34</u>	<u>\$ 14</u>	<u>\$ (3)</u>	<u>\$ 54</u>
Change in Unrealized Gain/Loss						
Interest rate derivatives	\$ —	\$ —	\$ 22	\$ —	\$ —	\$ 22
Foreign exchange derivatives	—	—	—	57	—	57
Credit derivatives	1	(2)	—	—	5	4
Total	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ 22</u>	<u>\$ 57</u>	<u>\$ 5</u>	<u>\$ 83</u>

[^]Swaptions purchased are reported as securities.

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. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were traded, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of June 30, 2018, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2018, securities valued at \$74,000 had been posted by the fund for exchange-traded and/or centrally cleared 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. 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, 2018, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally less than 1% of net assets.

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, 2018, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 4% and 5% of net assets.

Options The fund is subject to interest rate risk and credit risk in the normal course of pursuing its investment objectives and uses options to help manage such risks. 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, options purchased are included in Investments in Securities, and Options written 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, options on swaps give the holder the right, but not the obligation, to enter a specified swap contract on predefined terms. The exercise price of an option on a credit default swap is stated in terms of a specified spread that represents the cost of credit protection on the reference asset, including both the upfront premium to open the position and future periodic payments. The exercise price of an interest rate swap is stated in terms of a fixed interest rate; generally, there is no upfront payment to open the position. 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 interest rates; and, for Options written, potential losses in excess of the fund's initial investment. During the six months ended June 30, 2018, the volume of the fund's activity in options, based on underlying notional amounts, was generally between 1% and 3% of net assets.

Swaps The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage both long and short 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, 2018, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging and Frontier Markets The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of, or denominated in or linked to the currencies of emerging and frontier market countries; at period-end, approximately 10% of the fund's net assets were invested in emerging markets and 1% 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 commitment to purchase a TBA or, in the case of a sale commitment, the fund maintains an entitlement to the security to be sold.

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, 2018, no collateral was pledged by the fund or counterparties for TBAs.

Securities Lending The fund may lend its securities to approved borrowers 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 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, 2018, the value of loaned securities was \$939,000; the value of cash collateral and related investments was \$971,000.

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 \$49,546,000 and \$43,862,000, respectively, for the six months ended June 30, 2018. Purchases and sales of U.S. government securities aggregated \$24,516,000 and \$28,198,000, respectively, for the six months ended June 30, 2018.

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, 2018, the cost of investments for federal income tax purposes was \$152,258,000. Net unrealized gain aggregated \$37,676,000 at period-end, of which \$41,527,000 related to appreciated investments and \$3,851,000 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 its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). 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. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. 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, 2018, are as follows:

(\$000s)	Effective Management Fee Rate	Management Fee Waived
T. Rowe Price Inflation Protected Bond Fund—I Class	0.17%	-
T. Rowe Price Institutional Emerging Markets Bond Fund	0.70%	26
T. Rowe Price Institutional Emerging Markets Equity Fund	1.10%	38
T. Rowe Price Institutional Floating Rate Fund	0.55%	3
T. Rowe Price Institutional High Yield Fund	0.50%	18
T. Rowe Price Institutional International Bond Fund	0.55%	17
T. Rowe Price Limited Duration Focused Bond Fund—I Class	0.25%	-
T. Rowe Price Real Assets Fund—I Class	0.64%	8
Total		\$ 110

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, 2018, 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, 2018.

NOTE 7 - SUBSEQUENT EVENT

Effective July 1, 2018, the fund's all-inclusive annual fee for investment management and administrative services was reduced from 0.90% to 0.85% of average daily net assets.

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), on behalf of the fund. In that regard, at an in-person meeting held on March 5–6, 2018 (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, 2017, 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 expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

the potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

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, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) 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 fourth 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 and fourth quintile, respectively, 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®

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Baltimore, MD 21202

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.



SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

Equity Income Portfolio

For more insights from T. Rowe Price investment professionals,
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INVEST WITH CONFIDENCE®

HIGHLIGHTS

- U.S. stocks rose in the first half of 2018 as the bull market entered its tenth year, but volatility increased in the spring as U.S.-China trade tensions heated up. Large-cap value stocks declined.
- The Equity Income Portfolio returned -0.64% in the first half of its fiscal year but outpaced the Russell 1000 Value Index and its Lipper peer group index.
- Stock selection in the consumer discretionary and industrials and business services sectors contributed to performance. Detractors were concentrated in the financials sector, where a few large holdings struggled due to company-specific reasons.
- We expect more volatility in the near term as the trade rift deepens and potentially leads to a cycle of retaliation between the U.S. and China, which could harm global economic growth.

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*Certain mutual fund accounts that are assessed an annual account service fee can also save money by switching to e-delivery.

Dear Investor

U.S. stocks recorded decent gains in the first half of 2018, but unlike last year, investors had to absorb some bumps along the way. In February, volatility spiked and the S&P 500 Index briefly tumbled over 10% from its highs, putting it in correction territory. The major U.S. benchmarks recovered their losses in the spring, eventually bringing the technology-focused Nasdaq Composite Index and the smaller-cap indexes to new highs. Volatility stayed somewhat elevated, however, and many investors clearly remained anxious as the first half of your fund's fiscal year ended.

Solid corporate and economic fundamentals initially seemed to promise that 2017's strong stock market momentum might carry forward into 2018. Continued global synchronized growth led to strong profits for many multinationals. In the U.S., earnings for the S&P 500 rose by nearly 25% in the first quarter versus a year before, according to FactSet—the best performance since the recovery from the financial crisis. Profit growth also picked up in Europe, Japan, and emerging markets, even as growth in many international economies cooled a bit.

Inflation fears presented the first obstacle to the markets in February, however. Stocks tumbled on news that hourly wages had jumped in January, sparking fears that the Federal Reserve would pick up its pace of interest rate increases in order to head off inflation. Wage growth moderated in the following months, but a series of strong economic reports raised growth expectations and sent long-term interest rates to multiyear peaks by May. Investors also worried that the massive U.S. fiscal stimulus from December's tax cuts and March's spending bill might overheat the economy, though interest rates fell back in late May and June as Fed officials stressed their intention to move slowly in tightening monetary policy.

Trade tensions soon emerged as a second impediment for the markets. The Trump administration began implementing a more populist trade stance in March, announcing tariffs on steel and aluminum imports, threatening to withdraw from the North American Free Trade Agreement (NAFTA), and later raising the possibility of taxing auto imports. The administration also announced a steady escalation in possible tariffs on Chinese goods, eventually targeting a list of \$200 billion in Chinese imports. China and other U.S. trading partners vowed to retaliate proportionately.

Investors initially seemed willing to dismiss the tit-for-tat threats as negotiating tactics, but evidence eventually emerged that even the prospect of tariffs was impacting corporate strategies and profit outlooks. Stocks slumped on June 21, after German automaker Daimler lowered its earnings guidance due

to possible tariff increases on SUVs it manufactures in the U.S. and sells in China. A few days later, Harley-Davidson revealed that it was planning to move some of its motorcycle production to Europe to avoid retaliatory tariffs recently announced by the European Union.

Boeing, Caterpillar, and other leading exporters suffered declines as trade tensions worsened, but small-caps, which typically have far less international exposure, fared much better than large-caps in the first half of the year. Growth shares continued to outperform value shares despite the strong performance of energy stocks, which benefited from a rise in oil prices to multiyear highs. Stocks in overseas markets reacted particularly poorly to growing trade fears and fell for the period. A decline in many currencies relative to the dollar also weighed on international bond and stock returns for U.S. investors.

Meanwhile, technology shares continued to dominate, with much of the market's overall gain to date in 2018 concentrated in a handful of mega-cap companies able to leverage dominant Internet platforms. Data breaches and concerns about the growing power of these firms resulted in calls for government intervention in early 2018. For now, however, the threat of increased regulation seems a longer-term one that appears minor in comparison to the powerful fundamental strength of these companies.

T. Rowe Price's global team of industry experts is monitoring the possible impact of tariffs and other challenges on a wide range of companies—from the global tech titans to small, domestic firms that get little analyst coverage on Wall Street. While the rest of 2018 may bring further surprises, you can rest assured that your portfolio manager is drawing on a wide range of insights in seeking to provide shareholders with superior returns while minimizing the impact of unforeseen political events or other pitfalls.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharps
Group Chief Investment Officer

INVESTMENT OBJECTIVE

The fund seeks a high level of dividend income and long-term capital growth primarily through investments in stocks.

FUND COMMENTARY

How did the fund perform in the past six months?

The Equity Income Portfolio returned -0.64% in the six months ended June 30, 2018. The portfolio outperformed the Russell 1000 Value Index and its peer group, the Lipper Variable Annuity Underlying Equity Income Funds Average. *(Past performance cannot guarantee future results.)*

PERFORMANCE COMPARISON	
Six-Month Period Ended 6/30/18	Total Return
Equity Income Portfolio	-0.64%
Equity Income Portfolio-II	-0.74
Russell 1000 Value Index	-1.69
S&P 500 Index	2.65
Lipper Variable Annuity Underlying Equity Income Funds Average	-1.28

What factors influenced the fund's performance?

The consumer discretionary sector produced several top contributors. Media company **Twenty-First Century Fox**, which is currently the subject of a bidding war between **Comcast** and Walt Disney Co., led contributors. Fox's shares have been on a tear since November, when reports first surfaced that the company was in talks with Disney and hit a record high at the end of June. We have long held Fox, as we recognized the value of its unique entertainment assets and think the shares have more upside as Comcast and Disney continue to battle for control of the company. **Kohl's** was another contributor as the retailer stepped up efforts to fend off competition from online sellers, including launching a pilot program with Amazon.com in some of its stores. We trimmed our position but maintained exposure to Kohl's, whose standalone stores distinguish it from mall-based department stores that are struggling with declining traffic. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

The industrials and business services sector helped performance. Aerospace company **Boeing**, whose shares repeatedly hit record highs for much of this year on surging aircraft demand, led advancers. Real estate stocks added value, particularly as a result of our position in **Rayonier**, a Florida timberland real estate investment trust that owns forests in the U.S. and New Zealand. Rayonier shares gained amid soaring lumber prices, which hit a record high this spring amid a

stronger U.S. housing market, wildfires in timber-producing areas, and a trade dispute with Canada. We reduced our position in Rayonier as its stock price approached fully valued levels.

Detractors were concentrated in the financials sector, which weighed on returns as several holdings stumbled due to company-specific reasons. **Brighthouse Financial**, an insurance and annuities company, performed poorly due to disappointing underwriting activity and selling pressure from **MetLife**, which spun off the company in 2017. Other hefty detractors included **Wells Fargo**, which is trying to move past numerous regulatory investigations related to a fake customer accounts scandal in 2016, and MetLife, whose shares fell this year after the insurer revealed two significant accounting errors. We leaned into the declines and added to our positions in all three names, which remain fundamentally sound companies despite the negative headlines.

Information technology stocks detracted slightly from performance, driven by losses in **Qualcomm**. The chipmaker's slumping share price reflected numerous challenges, including ongoing royalty disputes with two key customers, slumping profits, and uncertainty regarding its proposed acquisition of NXP Semiconductors, a deal now pending regulatory approval in China.

SECTOR DIVERSIFICATION

	Percent of Net Assets	
	12/31/17	6/30/18
Financials	26.4%	24.9%
Health Care	11.6	12.6
Energy	9.7	10.6
Industrials and Business Services	10.3	10.1
Information Technology	8.3	7.8
Consumer Discretionary	7.6	7.6
Consumer Staples	7.8	6.7
Utilities	5.5	6.4
Materials	5.5	5.6
Telecommunication Services	3.0	3.0
Real Estate	2.1	2.8
Other and Reserves	2.2	1.9
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

How is the fund positioned?

The Equity Income Portfolio seeks to buy well-established, large-cap companies that have a strong record of paying dividends and appear to be undervalued by the market. Its holdings tend to be solid, higher-quality companies that are

going through a period of underperformance, reflecting our dual focus on valuation and dividend yield. Each position is the product of careful stock picking based on the fundamental research generated by T. Rowe Price's team of equity analysts, as opposed to selection based on broader market or macroeconomic trends.

Financials accounted for the largest sector allocation on an absolute basis and represented roughly one-quarter of its assets at the end of June. Our exposure to financials rose after we increased our position in **Franklin Resources**. Shares of the asset management company have fallen amid concerns about persistent client outflows, but the company holds a significant amount of cash that it could return to shareholders through special dividends or stock buybacks. We sought to take down risk in our financials holdings by trimming economically sensitive names, such as **JPMorgan Chase** and **Fifth Third Bank**, and adding to more defensive companies, including **PNC Financial Services** and **U.S. Bancorp**, both strong underwriters with broadly diversified revenue streams that have lagged the broad market. In the insurance industry, we eliminated Bermuda-based insurer **XL Group** on strength after it agreed to be acquired by France's AXA for a hefty premium in March, and added to Metlife and **Chubb**.

Our biggest sector overweight at period-end was industrials and business services, an area that features many highly cash-generative companies with durable businesses and diversified end markets. We initiated **Alaska Air Group**, a high-quality, well-run airline that is rapidly expanding beyond its Pacific Northwest base following its 2017 acquisition of Virgin America. As for sales, we trimmed our positions in industrial equipment maker **Illinois Tool Works** and in Boeing. We still have confidence in Boeing but pared our position size to reflect a slightly less attractive risk/reward profile after the recent months' rally.

Real estate represented the smallest sector allocation and largest underweight versus the benchmark. However, our exposure rose after we bought **SL Green Realty**, a real estate investment trust (REIT) focused on commercial properties in New York City. REIT shares—which typically decline as interest rates rise—have struggled this year as faster U.S. economic growth and policy tightening by the Federal Reserve diminished their appeal relative to Treasuries. However, SL Green owns a portfolio of well-located, high-quality office buildings in Manhattan, and its management team has been taking advantage of the city's strong real estate market by selling assets at a premium and buying back its own shares at discounted prices.

What is portfolio management's outlook?

The U.S. economy continued to strengthen in the first half of 2018, as last year's tax overhaul and financial industry deregulation efforts benefited U.S. consumers and companies. We believe that the broadening economic recovery, strong corporate earnings, and a moderate pace of future Fed rate hikes provide a generally favorable environment for the U.S. economy and stock market for the rest of the year.

On the policy front, however, the risks for investors have grown after this year's rapid escalation in the U.S.-China trade dispute. Contrary to the claims of U.S. President Trump, trade wars are not good for the economy, and a trade war between the U.S. and China could inflict substantial harm on global growth. Uncertainty surrounding the Trump administration's trade policies was a chief contributor to financial markets' volatility in recent months; unfortunately, we expect more turbulence ahead as neither side appears willing to back down. Though the immediate economic impact of tariffs levied by the U.S. and China is relatively insignificant so far, the tit-for-tat cycle could spiral into a broader conflict and unleash protectionist measures in other economies.

Volatility can be unsettling for shareholders, but it also yields better stock-picking opportunities for active managers since it allows us to buy and sell companies at more attractive prices. Many large-cap U.S. companies have lagged the broader market advance for idiosyncratic reasons, making their valuations more appealing for long-term investors. Thanks to T. Rowe Price's longstanding strengths in fundamental research and the collective insights of our equity analysts, we are well equipped to navigate what will likely be a more unpredictable environment as we continue to identify and invest in high-quality, undervalued companies in our ongoing effort to generate solid returns over the long run.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

RISKS OF INVESTING IN THE FUND**RISKS OF STOCK INVESTING**

As with all stock funds, the fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse local, political, social, or economic developments in the U.S. or abroad; changes in investor psychology; or heavy selling at the same time by major institutional investors in the market, such as mutual funds, pension funds, and banks. 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 adviser's assessment of companies held by the fund may prove incorrect, resulting in losses or poor performance, even in rising markets. Also, the fund's overall investment approach could fall out of favor with the investing public, resulting in lagging performance versus other types of stock funds. Legislative, regulatory, or tax developments may affect the investment strategies available to portfolio managers, which could adversely affect the ability to implement the fund's overall investment program and achieve the fund's investment objective.

VALUE INVESTING RISKS

Finding undervalued stocks requires considerable research to identify the particular company, analyze its financial condition and prospects, and assess the likelihood that the stock's underlying value will be recognized by the market and reflected in its price. A value approach to investing 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.

BENCHMARK INFORMATION

Note: Frank Russell Company (Russell) is the source and owner of the Russell index data contained or reflected in these materials and all trademarks and copyrights related thereto. Russell® is a registered trademark of Russell. Russell is not responsible for the formatting or configuration of these materials or for any inaccuracy in T. Rowe Price Associates' presentation thereof.

TWENTY-FIVE LARGEST HOLDINGS

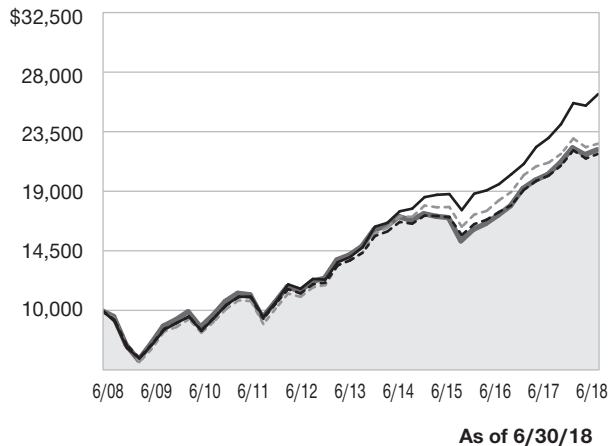
	Percent of Net Assets 6/30/18
JPMorgan Chase	3.6%
Wells Fargo	3.1
ExxonMobil	2.7
Twenty-First Century Fox	2.4
Microsoft	2.2
Total	2.1
DowDuPont	2.1
Verizon Communications	2.0
Anthem	1.8
Southern Company	1.8
Morgan Stanley	1.8
Boeing	1.7
Johnson & Johnson	1.7
Qualcomm	1.7
Cisco Systems	1.7
Harris	1.6
U.S. Bancorp	1.6
Johnson Controls International	1.5
MetLife	1.4
Hess	1.4
Pfizer	1.4
Medtronic	1.4
Chubb	1.4
State Street	1.4
Becton, Dickinson & Company	1.4
Total	46.9%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

GROWTH OF \$10,000

This chart shows the value of a hypothetical \$10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which include a broad-based market index and may also include 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 6/30/18	1 Year	5 Years	10 Years
Equity Income Portfolio	9.26%	9.32%	8.27%
Equity Income Portfolio-II	8.96	9.05	8.00

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. 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 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Equity Income Portfolio			
Actual	\$1,000.00	\$993.60	\$4.20
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.58	4.26
Equity Income Portfolio-II			
Actual	1,000.00	992.60	5.43
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 Equity Income Portfolio was 0.85%, and the Equity Income Portfolio-II was 1.10%. Prior to July 1, 2018, the annual investment management fee for the fund was 0.85%. Effective July 1, 2018, Price Associates agreed to reduce the fund's management fee to 0.74%. For the Equity Income Portfolio, the actual ending account value and expenses paid during the period would have been \$994.14 and \$3.66, respectively, and the hypothetical ending account value and expenses paid during the period would have been \$1,021.12 and \$3.71, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period. For the Equity Income Portfolio-II, the actual ending account value and expenses paid during the period would have been \$993.14 and \$4.89, respectively, and the hypothetical ending account value and expenses paid during the period would have been \$1,019.89 and \$4.96, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period.

T. ROWE PRICE EQUITY INCOME PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Equity Income Class

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 29.27	\$ 28.34	\$ 26.81	\$ 30.02	\$ 28.45	\$ 22.27
Investment activities						
Net investment income ⁽¹⁾	0.26	0.51	0.61	0.52	0.50	0.40
Net realized and unrealized gain / loss	(0.46)	4.00	4.50 ⁽²⁾	(2.58)	1.58	6.18
Total from investment activities	(0.20)	4.51	5.11	(2.06)	2.08	6.58
Distributions						
Net investment income	(0.24)	(0.53)	(0.67)	(0.53)	(0.51)	(0.40)
Net realized gain	—	(3.05)	(2.91)	(0.62)	—	—
Total distributions	(0.24)	(3.58)	(3.58)	(1.15)	(0.51)	(0.40)
NET ASSET VALUE						
End of period	\$ 28.83	\$ 29.27	\$ 28.34	\$ 26.81	\$ 30.02	\$ 28.45

Ratios/Supplemental Data

Total return⁽³⁾	(0.64)%	16.02%	19.17%⁽²⁾	(6.85)%	7.38%	29.72%
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	1.77% ⁽⁴⁾	1.73%	2.17%	1.78%	1.72%	1.57%
Portfolio turnover rate	9.1%	19.9%	18.5%	27.5%	11.4%	12.7%
Net assets, end of period (in millions)	\$ 504	\$ 541	\$ 551	\$ 605	\$ 851	\$ 852

⁽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.

T. ROWE PRICE EQUITY INCOME PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Equity Income-II Class

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 29.16	\$ 28.25	\$ 26.73	\$ 29.94	\$ 28.38	\$ 22.22
Investment activities						
Net investment income ⁽¹⁾	0.22	0.44	0.52	0.44	0.43	0.34
Net realized and unrealized gain / loss	(0.44)	3.98	4.50 ⁽²⁾	(2.57)	1.57	6.16
Total from investment activities	(0.22)	4.42	5.02	(2.13)	2.00	6.50
Distributions						
Net investment income	(0.21)	(0.46)	(0.59)	(0.46)	(0.44)	(0.34)
Net realized gain	-	(3.05)	(2.91)	(0.62)	-	-
Total distributions	(0.21)	(3.51)	(3.50)	(1.08)	(0.44)	(0.34)
NET ASSET VALUE						
End of period	\$ 28.73	\$ 29.16	\$ 28.25	\$ 26.73	\$ 29.94	\$ 28.38

Ratios/Supplemental Data

Total return⁽³⁾	(0.74)%	15.73%	18.85%⁽²⁾	(7.10)%	7.10%	29.41%
Ratio of total expenses to average net assets	1.10% ⁽⁴⁾	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income to average net assets	1.53% ⁽⁴⁾	1.48%	1.89%	1.51%	1.47%	1.32%
Portfolio turnover rate	9.1%	19.9%	18.5%	27.5%	11.4%	12.7%
Net assets, end of period (in thousands)	\$ 204,761	\$ 208,017	\$ 205,562	\$ 270,238	\$ 406,097	\$ 392,357

⁽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.

T. ROWE PRICE EQUITY INCOME PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS[†]

	Shares/Par	\$ Value
(Cost and value in \$000s)		
COMMON STOCKS 95.7%		
Consumer Discretionary 7.6%		
Auto Components 0.4%		
Adient	62,320	3,066
		3,066
Hotels, Restaurants & Leisure 1.1%		
Las Vegas Sands	98,318	7,508
		7,508
Leisure Products 0.6%		
Mattel	240,700	3,952
		3,952
Media 4.4%		
Comcast, Class A	203,572	6,679
News Corp., Class A	362,400	5,617
Twenty-First Century Fox Class B	340,400	16,772
Walt Disney	22,100	2,316
		31,384
Multiline Retail 0.6%		
Kohl's	59,900	4,367
		4,367
Specialty Retail 0.5%		
L Brands	91,500	3,374
		3,374
Total Consumer Discretionary		53,651
Consumer Staples 6.7%		
Beverages 0.8%		
PepsiCo	53,900	5,868
		5,868
Food & Staples Retailing 1.0%		
Walmart	83,000	7,109
		7,109
Food Products 2.4%		
Archer-Daniels-Midland	105,700	4,844
Kellogg	43,100	3,011
Tyson Foods, Class A	130,700	8,999
		16,854
Household Products 1.3%		
Kimberly-Clark	85,800	9,038
		9,038

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Personal Products 0.2%		
Coty, Class A	109,470	1,544
		1,544
Tobacco 1.0%		
Philip Morris International	86,100	6,952
		6,952
Total Consumer Staples		47,365
Energy 10.6%		
Oil, Gas & Consumable Fuels 10.6%		
Apache	145,140	6,785
Chevron	66,352	8,389
EQT	14,710	812
Exxon Mobil	229,122	18,955
Hess	150,500	10,067
Occidental Petroleum	97,500	8,159
Total (EUR)	247,329	15,019
TransCanada	166,500	7,193
Total Energy		75,379
Financials 24.7%		
Banks 12.7%		
Bank of America	38,675	1,090
Citigroup	124,900	8,358
Fifth Third Bancorp	293,600	8,426
JPMorgan Chase	245,441	25,575
KeyCorp	310,262	6,063
PNC Financial Services Group	51,300	6,931
U.S. Bancorp	224,400	11,224
Wells Fargo	401,620	22,266
		89,933
Capital Markets 5.3%		
Ameriprise Financial	10,400	1,455
Bank of New York Mellon	106,100	5,722
Franklin Resources	178,300	5,715
Morgan Stanley	266,600	12,637
Northern Trust	22,600	2,325
State Street	105,600	9,830
		37,684
Insurance 6.7%		
American International Group	173,796	9,215
Brighthouse Financial (1)	103,620	4,152
Chubb	77,723	9,873
Loews	156,877	7,574

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Marsh & McLennan	43,300	3,549
MetLife	233,100	10,163
Willis Towers Watson	21,030	3,188
		47,714
Total Financials		175,331
Health Care 11.8%		
Biotechnology 1.2%		
Gilead Sciences	118,100	8,366
		8,366
Health Care Equipment & Supplies 2.0%		
Becton Dickinson & Company	16,500	3,953
Medtronic	115,611	9,897
		13,850
Health Care Providers & Services 2.6%		
Anthem	53,600	12,758
CVS Health	90,363	5,815
		18,573
Pharmaceuticals 6.0%		
Bristol-Myers Squibb	94,600	5,235
GlaxoSmithKline (GBP)	223,069	4,497
GlaxoSmithKline, ADR	74,700	3,011
Johnson & Johnson	101,300	12,292
Merck	123,200	7,478
Pfizer	275,314	9,989
		42,502
Total Health Care		83,291
Industrials & Business Services 9.4%		
Aerospace & Defense 3.3%		
Boeing	36,900	12,380
Harris	79,050	11,426
		23,806
Air Freight & Logistics 1.2%		
UPS, Class B	79,300	8,424
		8,424
Airlines 1.2%		
Alaska Air Group	53,600	3,237
Delta Air Lines	56,900	2,819
Southwest Airlines	48,100	2,447
		8,503

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Building Products 1.5%		
Johnson Controls International	312,048	10,438
		10,438
Commercial Services & Supplies 0.3%		
Stericycle (1)	32,102	2,096
		2,096
Electrical Equipment 1.0%		
Emerson Electric	81,800	5,656
nVent Electric (1)	51,200	1,285
		6,941
Industrial Conglomerates 0.4%		
General Electric	205,600	2,798
		2,798
Machinery 0.5%		
Flowserve	29,631	1,197
Illinois Tool Works	2,200	305
Pentair	54,100	2,277
		3,779
Total Industrials & Business Services		66,785
Information technology 7.8%		
Communications Equipment 1.6%		
Cisco Systems	273,600	11,773
		11,773
Electronic Equipment, Instruments & Components 0.2%		
TE Connectivity	15,200	1,369
		1,369
Semiconductors & Semiconductor Equipment 3.2%		
Analog Devices	10,400	997
Applied Materials	92,900	4,291
Qualcomm	217,100	12,184
Texas Instruments	47,600	5,248
		22,720
Software 2.4%		
CA	30,000	1,070
Microsoft	160,100	15,787
		16,857
Technology Hardware, Storage & Peripherals 0.4%		
Hewlett Packard Enterprise	91,800	1,341
Western Digital	18,100	1,401
		2,742
Total Information Technology		55,461

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Materials 5.6%		
Chemicals 3.4%		
Akzo Nobel (EUR)	14,558	1,242
CF Industries	182,200	8,089
DowDuPont	223,069	14,705
		24,036
Construction Materials 0.7%		
Vulcan Materials	38,200	4,930
		4,930
Containers & Packaging 0.9%		
International Paper	121,453	6,326
		6,326
Metals & Mining 0.6%		
Nucor	72,900	4,556
		4,556
Total Materials		39,848
Real Estate 2.8%		
Equity Real Estate Investment Trusts 2.8%		
Equity Residential, REIT	92,200	5,872
Rayonier, REIT	135,861	5,257
SL Green Realty, REIT	40,934	4,115
Weyerhaeuser, REIT	124,906	4,554
Total Real Estate		19,798
Telecommunication Services 3.0%		
Diversified Telecommunication Services 2.9%		
AT&T	32,907	1,057
CenturyLink	101,907	1,899
Telefonica (EUR)	419,057	3,557
Verizon Communications	280,870	14,130
		20,643
Wireless Telecommunication Services 0.1%		
Vodafone Group (GBP)	167,658	406
		406
Total Telecommunication Services		21,049
Utilities 5.0%		
Electric Utilities 3.5%		
Edison International	79,330	5,019
Evergy	56,600	3,178
PG&E	92,425	3,934

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Southern Company	273,600	12,670
		24,801
Multi-Utilities 1.5%		
NiSource	336,486	8,843
Sempra Energy	14,546	1,689
		10,532
Total Utilities		35,333
Total Miscellaneous Common Stocks 0.7% (2)		5,032
Total Common Stocks (Cost \$488,794)		678,323
CONVERTIBLE PREFERRED STOCKS 2.2%		
Health Care 0.8%		
Health Care Equipment & Supplies 0.8%		
Becton Dickinson & Company Series A, 6.125%, 5/1/20	91,525	5,665
Total Health Care		5,665
Utilities 1.4%		
Electric Utilities 0.8%		
NextEra Energy, 6.123%, 8/2/19	100,507	5,742
		5,742
Multi-Utilities 0.6%		
DTE Energy, 6.50%, 10/1/19	23,048	1,188
Sempra Energy, Series A 6.00%, 1/15/21	31,814	3,318
		4,506
Total Utilities		10,248
Total Convertible Preferred Stocks (Cost \$13,825)		15,913
CORPORATE BONDS 0.7%		
Axa 7.25%, 5/15/21 (3)	1,288,000	1,347
Mattel 6.75%, 12/31/25 (3)	3,346,000	3,254
Total Corporate Bonds (Cost \$4,594)		4,601
SHORT-TERM INVESTMENTS 1.6%		
Money Market Funds 1.6%		
T. Rowe Price Government Reserve Fund, 1.91% (4)(5)	11,175,946	11,176
Total Short-Term Investments (Cost \$11,176)		11,176

\$ Value

(Cost and value in \$000s)

Total Investments in Securities**100.2% of Net Assets (Cost \$518,389) \$ 710,013**

‡ 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) 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 June 30, 2018 amounts to \$4,601 and represents 0.6% of net assets.

(4) Affiliated Company

(5) Seven-day yield

ADR American Depositary 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 that 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, 2018. Net realized gain (loss), investment income, and change in net unrealized gain/loss and purchases and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 90
Totals	\$ — [#]	\$ —	\$ 90 ⁺

Supplementary Investment Schedule

Affiliate	Value 12/31/17	Purchase Cost	Sales Cost	Value 6/30/18
T. Rowe Price Government Reserve Fund	\$ 12,912	□	□ \$	11,176
			\$	11,176 [^]

[#] Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

⁺ Investment income comprised \$90 of dividend income and \$0 of interest income.

□ Purchase and sale information not shown for cash management funds.

[^] The cost basis of investments in affiliated companies was \$11,176.

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

June 30, 2018 (Unaudited)

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$518,389)	\$	710,013
Dividends and interest receivable		1,172
Receivable for investment securities sold		894
Foreign currency (cost \$229)		231
Receivable for shares sold		179
Cash		119
Other assets		47
Total assets		<u>712,655</u>

Liabilities

Investment management and administrative fees payable		622
Payable for investment securities purchased		417
Payable for shares redeemed		395
Payable to Price Associates (Note 5)		2,591
Total liabilities		<u>4,025</u>

NET ASSETS**\$ 708,630****Net Assets Consist of:**

Undistributed net investment income	\$	466
Accumulated undistributed net realized gain		43,742
Net unrealized gain		189,036
Paid-in capital applicable to 24,602,608 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>475,386</u>

NET ASSETS**\$ 708,630****NET ASSET VALUE PER SHARE****Equity Income Class****(\$503,868,601 / 17,474,337 shares outstanding)****\$ 28.83****Equity Income – II Class****(\$204,761,346 / 7,128,271 shares outstanding)****\$ 28.73**

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

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/18
Investment Income (Loss)	
Income	
Dividend	\$ 9,411
Interest	114
Total income	9,525
Expenses	
Investment management and administrative expense	3,089
Rule 12b-1 fees – Equity Income-II Class	257
Total expenses	3,346
Net investment income	6,179
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	31,595
Foreign currency transactions	7
Net realized gain	31,602
Change in net unrealized gain / loss	
Securities	(41,328)
Payable to Price Associates (Note 5)	(1,310)
Other assets and liabilities denominated in foreign currencies	(6)
Change in net unrealized gain / loss	(42,644)
Net realized and unrealized gain / loss	(11,042)
DECREASE IN NET ASSETS FROM OPERATIONS	\$ (4,863)

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

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 6,179	\$ 12,176
Net realized gain	31,602	78,794
Change in net unrealized gain / loss	(42,644)	17,314
Increase (decrease) in net assets from operations	(4,863)	108,284
Distributions to shareholders		
Net investment income		
Equity Income Class	(4,222)	(9,194)
Equity Income-II Class	(1,491)	(2,982)
Net realized Gain		
Equity Income Class	-	(50,905)
Equity Income-II Class	-	(19,610)
Decrease in net assets from distributions	(5,713)	(82,691)
Capital share transactions *		
Shares sold		
Equity Income Class	11,343	26,733
Equity Income-II Class	15,633	27,922
Distributions reinvested		
Equity Income Class	4,222	60,099
Equity Income-II Class	1,491	22,592
Shares redeemed		
Equity Income Class	(44,850)	(116,612)
Equity Income-II Class	(17,265)	(54,243)
Decrease in net assets from capital share transactions	(29,426)	(33,509)
Net Assets		
Decrease during period	(40,002)	(7,916)
Beginning of period	748,632	756,548
End of period	\$ 708,630	\$ 748,632
Undistributed net investment income	466	-
*Share information		
Shares sold		
Equity Income Class	385	902
Equity Income-II Class	534	943
Distributions reinvested		
Equity Income Class	148	2,047
Equity Income-II Class	53	772
Shares redeemed		
Equity Income Class	(1,531)	(3,920)
Equity Income-II Class	(592)	(1,858)
Decrease in shares outstanding	(1,003)	(1,114)

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Equity Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Equity Income Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks a high level of dividend income and long-term capital growth primarily through investments in stocks. The fund has two classes of shares: the Equity Income Portfolio (Equity Income Class) and the Equity Income Portfolio-II Class (Equity Income-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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost 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, are recorded as income tax expense. 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, if any, 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 respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. 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.

New Accounting Guidance In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

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.

Debt securities generally are traded in the OTC market and 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; 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. 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, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
Common Stocks	\$ 653,602	\$ 24,721	\$ —	\$ 678,323
Convertible Preferred Stocks	—	15,913	—	15,913
Fixed Income Securities ¹	—	4,601	—	4,601
Short-Term Investments	11,176	—	—	11,176
Total	\$ 664,778	\$ 45,235	\$ —	\$ 710,013

¹Includes Corporate Bonds.

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2018.

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Other Purchases and sales of portfolio securities other than short-term securities aggregated \$65,008,000 and \$91,365,000, respectively, for the six months ended June 30, 2018.

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, 2018, the cost of investments for federal income tax purposes was \$521,797,000. Net unrealized gain aggregated \$188,216,000 at period-end, of which \$215,201,000 related to appreciated investments and \$26,985,000 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 its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). 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. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. 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. The fund had no purchase or sales cross trades with other funds or accounts advised by Price Associates.

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 of Chancery due to a proxy voting error in 2013. The amount paid by Price Associates remains subject to further increase or decrease in the event of a court-determined change in the fair valuation of Dell shares on appeal, or payment received by the fund from any other source to compensate for the loss of value on its Dell shares. On December 14, 2017, the Delaware Supreme Court reversed the Court of Chancery's enhanced valuation of Dell shares (appraisal value) and remanded the case to the Court of Chancery for further proceedings. While the ultimate outcome of the proceedings is uncertain, based on the language in the Delaware Supreme Court's opinion, Price Associates believes it probable that the fair valuation of Dell shares will ultimately be reduced below the appraisal value, either by a

court decision or a settlement agreement among the litigants. Accordingly, the fund recorded an initial liability reflecting a contingent repayment to Price Associates (repayment) based on an estimated reduction of the fair valuation of Dell shares. Effective May 9, 2018, based on additional relevant information to the case, the fund increased its liability. The impact of recording this additional liability on the fund's results from operation is reflected separately under change in net unrealized gain/loss in the accompanying financial statements. The fund's liability may be increased by an amount up to the full amount initially paid by Price Associates, \$3,601,000, or decreased as additional information becomes available in the future; however no repayment will be made unless or until there is a final, non-appealable judgment in the appraisal action.

NOTE 6 - LITIGATION

The fund is a named defendant in a lawsuit assigned to a litigation trustee, which seeks 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. 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. In light of a Supreme Court decision in an unrelated case, the bankruptcy trustee on behalf of the Committee has sought leave to amend its complaint that was dismissed on January 9, 2017. Additionally, the Supreme Court has deferred its decision on the petition for a writ of certiorari filed in the second action. In light of the deferral, the Second District Court of Appeals issued an Order on May 15, 2018, recalling the mandate. 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 \$31,529,000 (4.45% of net assets), and the fund will incur legal expenses. Management continues to assess the case and has not yet determined the effect, if any, on the fund's net assets and results of operations.

NOTE 7 - SUBSEQUENT EVENT

Effective July 1, 2018, the fund's all-inclusive annual fee for investment management and administrative services was reduced from 0.85% to 0.74% of average daily net assets.

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), on behalf of the fund. In that regard, at an in-person meeting held on March 5–6, 2018 (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, 2017, 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 Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based

on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

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, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) 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 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®

100 East Pratt Street
Baltimore, MD 21202

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.



SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

International Stock Portfolio

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HIGHLIGHTS

- The International Stock Portfolio posted a loss in the six months ended June 30, 2018. The portfolio outperformed its MSCI benchmark but underperformed its Lipper peer group.
- The portfolio benefited from stock selection in the information technology and financials sectors, but consumer staples holdings detracted from relative results.
- We buy and hold companies with durable franchises that we believe can generate steady earnings and cash flow growth over the long term.
- Valuations across the portfolio remain reasonable and, while we continue to look for good risk-adjusted returns, we keep a watchful eye on capital preservation.

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Dear Investor

U.S. stocks recorded decent gains in the first half of 2018, but unlike last year, investors had to absorb some bumps along the way. In February, volatility spiked and the S&P 500 Index briefly tumbled over 10% from its highs, putting it in correction territory. The major U.S. benchmarks recovered their losses in the spring, eventually bringing the technology-focused Nasdaq Composite Index and the smaller-cap indexes to new highs. Volatility stayed somewhat elevated, however, and many investors clearly remained anxious as the first half of your fund's fiscal year ended.

Solid corporate and economic fundamentals initially seemed to promise that 2017's strong stock market momentum might carry forward into 2018. Continued global synchronized growth led to strong profits for many multinationals. In the U.S., earnings for the S&P 500 rose by nearly 25% in the first quarter versus a year before, according to FactSet—the best performance since the recovery from the financial crisis. Profit growth also picked up in Europe, Japan, and emerging markets, even as growth in many international economies cooled a bit.

Inflation fears presented the first obstacle to the markets in February, however. Stocks tumbled on news that hourly wages had jumped in January, sparking fears that the Federal Reserve would pick up its pace of interest rate increases in order to head off inflation. Wage growth moderated in the following months, but a series of strong economic reports raised growth expectations and sent long-term interest rates to multiyear peaks by May. Investors also worried that the massive U.S. fiscal stimulus from December's tax cuts and March's spending bill might overheat the economy, though interest rates fell back in late May and June as Fed officials stressed their intention to move slowly in tightening monetary policy.

Trade tensions soon emerged as a second impediment for the markets. The Trump administration began implementing a more populist trade stance in March, announcing tariffs on steel and aluminum imports, threatening to withdraw from the North American Free Trade Agreement (NAFTA), and later raising the possibility of taxing auto imports. The administration also announced a steady escalation in possible tariffs on Chinese goods, eventually targeting a list of \$200 billion in Chinese imports. China and other U.S. trading partners vowed to retaliate proportionately.

Investors initially seemed willing to dismiss the tit-for-tat threats as negotiating tactics, but evidence eventually emerged that even the prospect of tariffs was impacting corporate strategies and profit outlooks. Stocks slumped on June 21, after German automaker Daimler lowered its earnings guidance due

to possible tariff increases on SUVs it manufactures in the U.S. and sells in China. A few days later, Harley-Davidson revealed that it was planning to move some of its motorcycle production to Europe to avoid retaliatory tariffs recently announced by the European Union.

Boeing, Caterpillar, and other leading exporters suffered declines as trade tensions worsened, but small-caps, which typically have far less international exposure, fared much better than large-caps in the first half of the year. Growth shares continued to outperform value shares despite the strong performance of energy stocks, which benefited from a rise in oil prices to multiyear highs. Stocks in overseas markets reacted particularly poorly to growing trade fears and fell for the period. A decline in many currencies relative to the dollar also weighed on international bond and stock returns for U.S. investors.

Meanwhile, technology shares continued to dominate, with much of the market's overall gain to date in 2018 concentrated in a handful of mega-cap companies able to leverage dominant Internet platforms. Data breaches and concerns about the growing power of these firms resulted in calls for government intervention in early 2018. For now, however, the threat of increased regulation seems a longer-term one that appears minor in comparison to the powerful fundamental strength of these companies.

T. Rowe Price's global team of industry experts is monitoring the possible impact of tariffs and other challenges on a wide range of companies—from the global tech titans to small, domestic firms that get little analyst coverage on Wall Street. While the rest of 2018 may bring further surprises, you can rest assured that your portfolio manager is drawing on a wide range of insights in seeking to provide shareholders with superior returns while minimizing the impact of unforeseen political events or other pitfalls.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharps
Group Chief Investment Officer

INVESTMENT OBJECTIVE

The fund seeks long-term growth of capital through investments primarily in the common stocks of established, non-U.S. companies.

FUND COMMENTARY**How did the fund perform in the past six months?**

The International Stock Portfolio returned -2.31% in the six-month period ended June 30, 2018. The portfolio outperformed the benchmark MSCI All Country World Index ex USA but underperformed the Lipper peer group of international multi-cap growth funds. *(Past performance cannot guarantee future results.)*

PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/18	Total Return
International Stock Portfolio	-2.31%
MSCI All Country World Index ex USA	-3.44
Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	-1.22

What factors influenced the fund's performance?

We outperformed our benchmark largely due to stock selection in the information technology, financials, and health care sectors. Stock selection in the consumer staples and energy sectors detracted from relative performance. Our underweight in energy was also a relative detractor during the period.

We generated a solid absolute and relative performance contribution from stock selection in the information technology sector. The portfolio benefited from the strong performance of **MasterCard** and **Wirecard** in the IT services segment and **Scout 24 Holding** in the Internet software and services industry. At 19.7% of assets, information technology was our largest allocation at the end of the reporting period and the biggest overweight allocation versus the MSCI benchmark. (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	
	12/31/17	6/30/18
Information Technology	17.7%	19.7%
Financials	18.4	18.2
Health Care	14.3	14.0
Consumer Staples	14.5	12.6
Industrials and Business Services	11.9	11.8
Consumer Discretionary	8.3	9.3
Materials	3.8	3.8
Telecommunication Services	3.7	3.4
Energy	2.7	3.1
Utilities	1.6	1.7
Real Estate	0.7	0.6
Other and Reserves	2.4	1.8
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Stock selection in the financials sector provided a significant relative performance contribution. Because stocks in the sector struggled during the period, our underweight allocation also contributed to relative returns. At 18.2% of the portfolio, it is our second-largest sector allocation. We favor companies that are gaining market share and yielded good results from holdings such as insurer **AIA Group** and bank holdings including **First Bank of Abu Dhabi** and **Grupo Financiero Santander Mexico**. In our view, European financials are poised to benefit from regulatory headwinds dissipating and an upturn in the economic environment. However, our positions in Italian insurer and asset manager **Banca Mediolanum** and **UBS** performed poorly and were among our largest relative performance detractors as investors focused on political uncertainty stemming from the Italian elections and the prospect of interest rates remaining lower for longer in the eurozone. Within the health care sector, another area of solid returns, **GN Store Nord** and **Astellas Pharma** were among our best absolute and relative performers.

In the consumer staples sector, tobacco industry holdings posted large losses. **British American Tobacco** was the portfolio's largest absolute and relative performance detractor. It is now the world's biggest tobacco company, following the firm's acquisition of Reynolds American. The stock peaked in January 2018 and started a steep decline in February, as fears of intensifying competition and regulatory uncertainty surrounding the Food and Drug Administration's possible limitations on nicotine levels in traditional combustible cigarettes weighed on investor sentiment. We added to the position as the share price fell. We believe that the company can generate earnings growth from its traditional cigarette products and its smokeless and heat-not-burn (HNB) brands, even as global tobacco consumption declines.

Philip Morris International's stock has also underperformed due to the same regulatory uncertainties that have weighed on the industry as a whole. However, the company's stock also came under pressure in April following an update that showed the growth of its HNB products in Japan had slowed unexpectedly. However, we believe that, on a medium-term view, Philip Morris remains well positioned with its HNB product, which offers the potential to generate durable earnings growth for the company over time. We trimmed our stake in **Japan Tobacco**, another significant detractor. Japan Tobacco declined sharply in early 2018 after it reported that operating profits declined more than expected, and it remains more challenged than some peers with regard to next-generation product technology.

How is the fund positioned?

Overall, our regional views have not materially changed. Europe (43% of portfolio assets) offers a number of durable growth companies where we see good risk/reward opportunities. Our holdings in the Pacific ex-Japan region accounted for 27% of assets, and we continue to fund select opportunities in Japan (15%), which has shown uneven progress on Abenomics.

The portfolio holds more defensive companies than it has historically. The shift was driven entirely by stock selection. We want to own growth stocks that trade at a reasonable price, as valuations have moved higher across the broad market. Similarly, we remain overweight to select consumer staples companies that we think have reasonable valuations because of their steady recurring revenues and defensive characteristics.

From a regional perspective, our North America holdings (9%) generate most of their revenues in international markets. For example, we like the prospects for **Booking Holdings** (formerly Priceline) and MasterCard, which possess significant runways for growth. Within emerging markets, stock selection has been a material contributor to our relative results. Nonetheless, we remain underweight to emerging markets overall, in part because we have a bearish view on commodity-linked economies, which have a large weight in emerging markets. Stock selection in the Pacific ex-Japan region also detracted, particularly our large positions in **NAVER**, a South Korean Internet provider, and **CK Hutchison Holdings**, a diversified, Hong Kong-based conglomerate with interests in major port operations, as well as stakes in European telecommunications companies.

What is portfolio management's outlook?

International equity market valuations remain reasonable in our view, as the past quarter's choppy markets kept valuations relatively unchanged. The momentum-driven environment we have seen dominate for the last several quarters continued despite signs of decelerating growth, a flattening yield curve in the U.S., and a divergence of the synchronized global growth

trends since late 2017. We think the quality and durability of corporate earnings will prove to be the determining factor in whether valuations are reasonable or stretched.

European valuations have become more attractive, particularly in sectors such as financials, as investors worry about the political backdrop. Certain emerging markets, including China, are also more reasonably valued as macroeconomic concerns weighed on stocks despite an attractive earnings growth outlook for many companies. The recent volatility indicates that investors are becoming more unsettled by the rhetoric coming out of Washington, Beijing, and elsewhere, and investors have become less sanguine about the possibility of an escalating trade war.

We have generally maintained our more defensive positioning, an approach that has yielded outperformance thus far this year. Our sector outlooks are little changed. Financials (particularly European financial services and select emerging markets banks and insurers) remain attractive. While our overall allocation has not shifted markedly, we have changed some of the positions, buying or adding **Banco Bradesco**, **Ping An Insurance**, and UBS, and exiting some of our Nordic bank holdings that have performed well. In health care, we continue to find good individual opportunities in the pharma and medical technology segments, despite difficult headlines around drug pricing in the U.S. Information technology sector valuations have risen, but not overly so relative to our view of the growth they offer.

Regionally, we remain underweight emerging markets and Japan. Our bearish view on oil tends to make certain emerging markets relatively less attractive. That being said, the broad weakness in the asset class has created opportunities, particularly in some cyclical areas including financials, where we added to Brazilian consumer discretionary holdings, and a Philippine conglomerate, **SM Investments**. In Japan, while results in terms of broad economic reform stemming from Abenomics have been disappointing in our view, there has been steady progress in terms of working to improve corporate returns.

As always, we are focused on finding companies that we think will continue to post durable growth. We utilize a top-down overlay to complement our stock selection process. We believe our best insights will come at the company level rather than from attempting to time the markets.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

RISKS OF INTERNATIONAL INVESTING

Portfolios that invest overseas generally carry more risk than those that invest strictly in U.S. assets. Portfolios investing in a single country or in a limited geographic region tend to be riskier than more diversified offerings. 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.

BENCHMARK INFORMATION

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.

TWENTY-FIVE LARGEST HOLDINGS

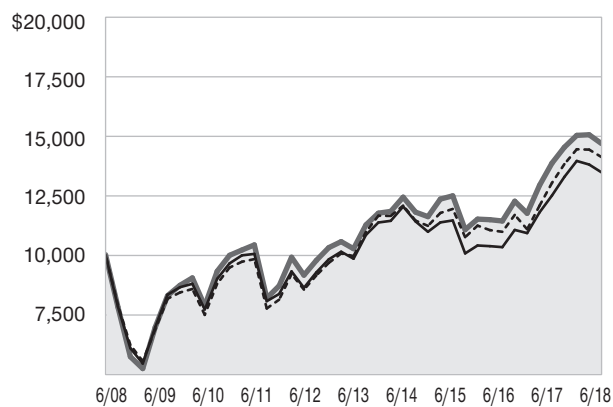
Company	Country	Percent of Net Assets 6/30/18
Bayer	Germany	2.3%
British American Tobacco	United Kingdom	2.3
Tencent Holdings	China	2.2
AIA Group	Hong Kong	2.0
Alibaba Group Holding	China	1.7
UBS	Switzerland	1.7
Thales	France	1.7
CK Hutchison Holdings	Hong Kong	1.6
Nestle	Switzerland	1.6
Essity	Sweden	1.6
Housing Development Finance	India	1.6
Seven & i Holdings	Japan	1.6
Booking Holdings	United States	1.5
Taiwan Semiconductor Manufacturing	Taiwan	1.5
Erste Group Bank	Austria	1.5
Nippon Telegraph & Telephone	Japan	1.5
Samsung Electronics	South Korea	1.4
Fresenius	Germany	1.4
Amadeus IT	Spain	1.4
Jardine Matheson Holdings	Hong Kong	1.3
NAVER	South Korea	1.3
Shire	United Kingdom	1.2
Mitsubishi Electric	Japan	1.2
MasterCard	United States	1.2
NTPC Limited	India	1.2
Total		39.5%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

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 include a broad-based market index and may also include 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



As of 6/30/18

— International Stock Portfolio	\$14,662
— MSCI All Country World Index ex USA	13,454
--- Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	14,208

AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/18	1 Year	5 Years	10 Years
International Stock Portfolio	5.93%	7.42%	3.90%

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. 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 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Actual	\$1,000.00	\$976.90	\$5.15
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.59	5.26

*Expenses are equal to the fund'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. Prior to July 1, 2018, the annual investment management fee for the fund was 1.05%. Effective July 1, 2018, Price Associates agreed to reduce the fund's management fee to 0.95%. For the International Stock Portfolio, the actual ending account value and expenses paid during the period would have been \$977.39 and \$4.66, respectively, and the hypothetical ending account value and expenses paid during the period would have been \$1,020.08 and \$4.76, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period.

T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72	\$ 13.90
Investment activities						
Net investment income ⁽¹⁾	0.19	0.17	0.17	0.14	0.15	0.17
Net realized and unrealized gain / loss	(0.59)	3.80	0.14	(0.28)	(0.35)	1.78
Total from investment activities	(0.40)	3.97	0.31	(0.14)	(0.20)	1.95
Distributions						
Net investment income	-	(0.19)	(0.16)	(0.15)	(0.17)	(0.13)
Net realized gain	-	(0.70)	(0.55)	(0.30)	(0.09)	-
Total distributions	-	(0.89)	(0.71)	(0.45)	(0.26)	(0.13)
NET ASSET VALUE						
End of period	\$ 16.95	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72
Ratios/Supplemental Data						
Total return ⁽²⁾	(2.31)%	27.88%	2.13%	(0.90)%	(1.24)%	14.05%
Ratio of total expenses to average net assets	1.05% ⁽³⁾	1.05%	1.05%	1.05%	1.05%	1.05%
Ratio of net investment income to average net assets	2.18% ⁽³⁾	1.04%	1.15%	0.88%	0.94%	1.13%
Portfolio turnover rate	18.5%	34.0%	39.5%	37.3%	45.3%	53.1%
Net assets, end of period (in thousands)	\$ 327,443	\$ 382,759	\$ 310,621	\$ 305,031	\$ 329,646	\$ 355,918

⁽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.

T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS [†]	Shares	\$ Value
(Cost and value in \$000s)		
ARGENTINA 0.2%		
Common Stocks 0.2%		
Globant (USD)(1)	13,213	750
Total Argentina (Cost \$689)		750
AUSTRALIA 1.9%		
Common Stocks 1.9%		
Arcor	333,413	3,552
South32	969,573	2,589
Total Australia (Cost \$3,959)		6,141
AUSTRIA 1.5%		
Common Stocks 1.5%		
Erste Group Bank	115,082	4,798
Total Austria (Cost \$3,749)		4,798
BELGIUM 0.8%		
Common Stocks 0.8%		
Anheuser-Busch InBev	26,488	2,672
Total Belgium (Cost \$3,036)		2,672
BRAZIL 1.2%		
Common Stocks 1.2%		
Banco Bradesco, Class A, ADR (USD)	240,900	1,652
BB Seguridade Participacoes	220,086	1,389
PagueSeguro Digital, Class A (USD)(1)	29,110	808
Total Brazil (Cost \$4,447)		3,849
CANADA 4.8%		
Common Stocks 4.8%		
Alimentation Couche-Tard, Class B	43,067	1,871
Canadian Natural Resources	100,600	3,631
Canadian Pacific Railway	11,245	2,061
Magna International (USD)	42,793	2,487
Restaurant Brands International (USD)	36,400	2,195
Seven Generations Energy, Class A (1)	168,646	1,859

	Shares	\$ Value
(Cost and value in \$000s)		
TransCanada (USD)	38,200	1,650
Total Canada (Cost \$14,264)		15,754
CHILE 0.5%		
Common Stocks 0.5%		
Liberty Latin America, Class C (USD)(1)	81,368	1,577
Total Chile (Cost \$1,994)		1,577
CHINA 7.6%		
Common Stocks 6.1%		
Alibaba Group Holding, ADR (USD)(1)	30,700	5,696
China Mengniu Dairy (HKD)	561,000	1,892
China Overseas Land & Investment (HKD)	612,000	2,009
Ctrip.com International, ADR (USD)(1)	45,033	2,145
Ping An Insurance Group, H Shares (HKD)	135,500	1,241
Tencent Holdings (HKD)	141,600	7,110
		20,093
Common Stocks - China A shares 1.3%		
BTG Hotels Group (CNH)	204,700	836
Gree Electric Appliances, A Shares (CNH)	209,300	1,483
Kweichow Moutai (CNH)	16,574	1,823
		4,142
Convertible Preferred Stocks 0.2%		
Xiaojia Kuaizhi, Class A-17 Acquisition Date: 10/19/15, Cost \$343 (USD)(1)(2)(3)	12,518	605
		605
Total China (Cost \$11,427)		24,840
DENMARK 0.6%		
Common Stocks 0.6%		
GN Store Nord (4)	43,469	1,975
Total Denmark (Cost \$893)		1,975

	Shares	\$ Value
(Cost and value in \$000s)		
FINLAND 1.1%		
Common Stocks 1.1%		
Sampo, A Shares	71,486	3,481
Total Finland (Cost \$3,091)		3,481
FRANCE 6.2%		
Common Stocks 6.2%		
Air Liquide	24,135	3,025
Airbus	20,790	2,426
BNP Paribas	39,229	2,427
Dassault Aviation	1,622	3,084
Schneider Electric	29,949	2,491
Thales	42,878	5,516
Total	24,158	1,467
Total France (Cost \$15,581)		20,436
GERMANY 8.5%		
Common Stocks 8.5%		
Bayer	68,915	7,568
Fresenius	55,755	4,464
Infineon Technologies	61,972	1,574
Linde	8,886	2,111
Merck	24,599	2,395
Scout24 (5)	62,534	3,310
Siemens Healthineers (1)(5)	33,820	1,394
Telefonica Deutschland Holding	472,999	1,861
Wirecard (4)	14,645	2,343
Zalando (1)(5)	11,936	665
Total Germany (Cost \$19,889)		27,685
HONG KONG 5.0%		
Common Stocks 5.0%		
ALA Group	763,600	6,652
CK Hutchison Holdings	505,884	5,355
Jardine Matheson Holdings (USD)	68,800	4,336
Total Hong Kong (Cost \$11,921)		16,343
INDIA 4.4%		
Common Stocks 4.4%		
Axis Bank (1)	407,358	3,026
Housing Development Finance	183,998	5,127
NTPC	1,685,691	3,924

	Shares	\$ Value
(Cost and value in \$000s)		
Power Grid of India	568,050	1,555
Wipro	200,110	761
Total India (Cost \$8,899)		14,393
INDONESIA 1.4%		
Common Stocks 1.4%		
Bank Central Asia	2,186,700	3,266
Sarana Menara Nusantara	32,631,000	1,412
Total Indonesia (Cost \$2,884)		4,678
ITALY 0.8%		
Common Stocks 0.8%		
Banca Mediolanum	384,386	2,596
Total Italy (Cost \$2,903)		2,596
JAPAN 14.6%		
Common Stocks 14.6%		
Astellas Pharma	129,400	1,969
Bridgestone (6)	40,100	1,566
Chugai Pharmaceutical	47,100	2,466
Disco	4,100	698
Fujitsu General	127,300	1,990
Inpex	151,300	1,571
Japan Tobacco	64,600	1,805
Kansai Paint	56,800	1,179
Koito Manufacturing	24,700	1,632
Kusuri no Aoki Holdings	11,400	759
Mercari (1)	6,900	283
Mitsubishi Electric	299,200	3,970
Murata Manufacturing	15,800	2,652
Nippon Telegraph & Telephone	104,700	4,756
Persol Holdings	46,900	1,045
Renesas Electronics (1)	143,400	1,402
Sega Sammy Holdings	46,800	801
Seven & i Holdings	116,800	5,094
Stanley Electric	37,500	1,277
Sumitomo	203,200	3,332
Suzuki Motor	35,300	1,945
Takeda Pharmaceutical (6)	37,200	1,565
Terumo	27,300	1,563
Tokio Marine Holdings	17,200	805
Yahoo! Japan (6)	534,100	1,769
Total Japan (Cost \$39,769)		47,894

	Shares	\$ Value
(Cost and value in \$000s)		
MALAYSIA 0.2%		
Common Stocks 0.2%		
Astro Malaysia Holdings	1,350,100	531
Total Malaysia (Cost \$1,166)		531
MEXICO 0.5%		
Common Stocks 0.5%		
Banco Santander Mexico, ADR (USD)	240,470	1,609
Total Mexico (Cost \$2,037)		1,609
NETHERLANDS 2.4%		
Common Stocks 2.4%		
Adyen (1)	334	184
ASML Holding	15,533	3,074
Koninklijke Philips	41,695	1,766
NXP Semiconductors (USD)(1)	26,229	2,866
Total Netherlands (Cost \$4,763)		7,890
PERU 0.3%		
Common Stocks 0.3%		
Credicorp (USD)	4,856	1,093
Total Peru (Cost \$764)		1,093
PHILIPPINES 0.3%		
Common Stocks 0.3%		
SM Investments	54,330	891
Total Philippines (Cost \$890)		891
SINGAPORE 0.5%		
Common Stocks 0.5%		
Sea, ADR (USD)(1) (6)	106,847	1,603
Total Singapore (Cost \$1,479)		1,603
SOUTH AFRICA 0.5%		
Common Stocks 0.5%		
FirstRand	379,208	1,762

	Shares	\$ Value
(Cost and value in \$000s)		
Total South Africa (Cost \$1,240)		1,762
SOUTH KOREA 3.3%		
Common Stocks 3.3%		
LG Household & Health Care	1,732	2,170
NAVER	6,114	4,184
Samsung Electronics	108,470	4,544
Total South Korea (Cost \$6,904)		10,898
SPAIN 3.2%		
Common Stocks 3.2%		
Amadeus IT, A Shares	56,219	4,421
CaixaBank	492,939	2,122
Grifols, ADR (USD)	181,176	3,895
Total Spain (Cost \$7,477)		10,438
SWEDEN 2.4%		
Common Stocks 2.4%		
Essity, B Shares	208,991	5,141
Hexagon, B Shares	51,000	2,834
Total Sweden (Cost \$6,181)		7,975
SWITZERLAND 5.6%		
Common Stocks 5.6%		
dormakaba Holding	1,761	1,230
Julius Baer Group	52,518	3,076
Nestle	67,558	5,236
Roche Holding	13,972	3,100
UBS Group	361,253	5,538
Total Switzerland (Cost \$16,481)		18,180
TAIWAN 2.3%		
Common Stocks 2.3%		
Largan Precision	19,000	2,791
Taiwan Semiconductor Manufacturing	687,000	4,879
Total Taiwan (Cost \$4,454)		7,670

Shares \$ Value

(Cost and value in \$000s)

THAILAND 0.6%**Common Stocks 0.6%**

CP ALL	844,600	1,874
Total Thailand		
(Cost \$911)		1,874

UNITED ARAB EMIRATES 1.0%**Common Stocks 1.0%**

DP World (USD)	47,883	1,102
First Abu Dhabi Bank	703,600	2,329
Total United Arab Emirates		
(Cost \$2,182)		3,431

UNITED KINGDOM 10.1%**Common Stocks 10.1%**

AstraZeneca, ADR (USD)	33,400	1,173
British American Tobacco	146,541	7,382
Burberry Group	70,632	2,007
ConvaTec Group (5)	819,941	2,289
Liberty Global, Series C (USD)(1)	36,714	977
LivaNova (USD)(1)	20,315	2,028
London Stock Exchange Group	44,778	2,636
Playtech	32,647	324
Prudential	133,764	3,049
Reckitt Benckiser Group	20,389	1,675
Shire	70,777	3,988
Smith & Nephew	121,940	2,246
Vodafone Group	1,326,395	3,213
Total United Kingdom		
(Cost \$30,654)		32,987

Total Investments in Securities**100.5% of Net Assets (Cost \$251,470)**

Shares \$ Value

(Cost and value in \$000s)

UNITED STATES 4.0%**Common Stocks 4.0%**

Altice USA, Class A (1)	27,729	473
Booking Holdings (1)	2,467	5,001
Mastercard, Class A	20,100	3,950
Philip Morris International	22,473	1,814
Waste Connections	24,200	1,822
Total United States		
(Cost \$7,114)		13,060

SHORT-TERM INVESTMENTS 1.1%**MONEY MARKET FUNDS 1.1%**

T. Rowe Price Government Reserve Fund,		
1.91% (7)(8)	3,764,836	3,765
Total Short-Term Investments		
(Cost \$3,765)		3,765

SECURITIES LENDING COLLATERAL 1.1%**Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 1.1%****Short-Term Funds 1.1%**

T. Rowe Price Short-Term Fund		
2.08% (7)(8)	361,268	3,613

Total Investments through Securities Lending Program with JPMorgan Chase Bank		3,613
Total Securities Lending Collateral		
(Cost \$3,613)		3,613

\$ 329,132

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; Shares and Notional Amount 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 \$605 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 pledged to cover written call options at June 30, 2018.
 - (5) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers – total value of such securities at June 30, 2018 amounts to \$7,658 and represents 2.3% of net assets.
 - (6) All or a portion of this security is on loan at June 30, 2018 – total value of such securities at period-end amounts to \$3,477. See Note 4.
 - (7) Affiliated Company
 - (8) Seven-day yield
- ADR American Depositary Receipts
 CNH Offshore China Renminbi
 DKK Danish Krone
 EUR Euro Dollar
 GBP British Pound
 HKD Hong Kong Dollar
 JPY Japanese Yen
 USD U.S. Dollar

(Amounts in 000s except for contracts)

OPTIONS WRITTEN 0.0%**Exchange-Traded Options Written 0.0%**

Description	Contracts	Notional Amount	Value
Goldman Sachs, Wirecard, Call, 7/20/18 @135 (EUR)	11	150 \$	(10)
Goldman Sachs, Wirecard, Call, 7/20/18 @144 (EUR)	10	137	(4)
JPMorgan Chase, GN Store Nord, Call, 8/17/18 @ 290 (DKK)	38	1,102	(5)
JPMorgan Chase, GN Store Nord, Call, 8/17/18 @ 300 (DKK)	37	1,073	(3)
Standard Bank, GN Store Nord, Call, 8/17/18 @ 280 (DKK)	40	1,160	(10)
Total Exchange-Traded Options Written (Premiums \$(20))			(32)
Total Options Written (Premiums \$(20))		\$	(32)

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive	Deliver		Unrealized Gain (Loss)
Bank of America Merrill Lynch	7/13/18	USD	1,692 GBP	(1,265) \$	21
Citibank	7/13/18	USD	2,500 JPY	(275,220)	12
Net unrealized gain (loss) on open forward currency exchange contracts					\$ 33

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 that 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, 2018. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 41
T. Rowe Price Short-Term Fund	—	—	— ⁺⁺
Totals	\$ —[#]	\$ —	\$ 41⁺

Supplementary Investment Schedule

Affiliate	Value 12/31/17	Purchase Cost	Sales Cost	Value 6/30/18
T. Rowe Price Government Reserve Fund	\$ 8,732	□	□ \$	3,765
T. Rowe Price Short-Term Fund	3,330	□	□	3,613
			\$	7,378 [^]

Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

++ Excludes earnings on securities lending collateral, which are subject to rebates and fees such as described in Note 4.

+ Investment income comprised \$41 of dividend income and \$0 of interest income.

□ Purchase and sale information not shown for cash management funds.

^ The cost basis of investments in affiliated companies was \$7,378.

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

T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

June 30, 2018 (Unaudited)

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$251,470)	\$	329,132
Receivable for investment securities sold		1,055
Foreign currency (cost \$874)		876
Dividends receivable		730
Unrealized gain on forward currency exchange contracts		33
Receivable for shares sold		5
Other assets		383
Total assets		<u>332,214</u>

Liabilities

Obligation to return securities lending collateral		3,613
Payable for investment securities purchased		689
Investment management and administrative fees payable		339
Payable for shares redeemed		98
Options written (premiums \$20)		32
Total liabilities		<u>4,771</u>

NET ASSETS

\$ 327,443

Net Assets Consist of:

Undistributed net investment income	\$	3,876
Accumulated undistributed net realized gain		15,700
Net unrealized gain		77,663
Paid-in capital applicable to 19,316,295 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>230,204</u>

NET ASSETS

\$ 327,443

NET ASSET VALUE PER SHARE

\$ 16.95

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

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

6 Months Ended
6/30/18**Investment Income (Loss)**

Income

Dividend (net of foreign taxes of \$487)	\$ 5,710
Securities lending	34
Total income	5,744
Investment management and administrative expense	1,868
Net investment income	3,876

Realized and Unrealized Gain / Loss

Net realized gain (loss)

Securities	15,385
Options written	42
Forward currency exchange contracts	(100)
Foreign currency transactions	(65)
Net realized gain	15,262

Change in net unrealized gain / loss

Securities	(26,303)
Options written	(12)
Forward currency exchange contracts	101
Other assets and liabilities denominated in foreign currencies	(17)
Change in net unrealized gain / loss	(26,231)

Net realized and unrealized gain / loss

	(10,969)
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DECREASE IN NET ASSETS FROM OPERATIONS**\$ (7,093)**

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

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 3,876	\$ 3,712
Net realized gain	15,262	19,055
Change in net unrealized gain / loss	(26,231)	62,411
Increase (decrease) in net assets from operations	(7,093)	85,178
Distributions to shareholders		
Net investment income	-	(3,963)
Net realized gain	-	(14,600)
Decrease in net assets from distributions	-	(18,563)
Capital share transactions*		
Shares sold	11,860	20,697
Distributions reinvested	-	18,563
Shares redeemed	(60,083)	(33,737)
Increase (decrease) in net assets from capital share transactions	(48,223)	5,523
Net Assets		
Increase (decrease) during period	(55,316)	72,138
Beginning of period	382,759	310,621
End of period	\$ 327,443	\$ 382,759
Undistributed net investment income	3,876	-
*Share information		
Shares sold	678	1,234
Distributions reinvested	-	1,081
Shares redeemed	(3,423)	(2,025)
Increase (decrease) in shares outstanding	(2,745)	290

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

NOTES TO 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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost 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, are recorded as income tax expense. 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 respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. 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 March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

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.

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. Listed options, and OTC options with a listed equivalent, are valued at the mean of the closing bid and asked prices and generally are categorized in Level 2 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, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
Assets				
Common Stocks	\$ 47,266	\$ 273,883	\$ –	\$ 321,149
Convertible Preferred Stocks	–	–	605	605
Short-Term Investments	3,765	–	–	3,765
Securities Lending Collateral	3,613	–	–	3,613
Total Securities	54,644	273,883	605	329,132
Forward Currency				
Exchange Contracts	–	33	–	33
Total	\$ 54,644	\$ 273,916	\$ 605	\$ 329,165
Liabilities				
Options Written	\$ –	\$ 32	\$ –	\$ 32
Total	\$ –	\$ 32	\$ –	\$ 32

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2018.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2018. 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, 2018, totaled \$(33,000) for the six months ended June 30, 2018.

(\$000s)	Beginning Balance 1/1/18	Gain (Loss) During Period	Ending Balance 6/30/18
Investment in Securities			
Convertible Preferred Stocks	\$ 638	\$ (33)	\$ 605

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2018, 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.

The following table summarizes the fair value of the fund's derivative instruments held as of June 30, 2018, 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		
Foreign exchange derivatives	Forwards	\$ 33
Liabilities		
Equity derivatives	Options Written	\$ 32

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2018, 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			
	Options Written	Forward Currency Exchange Contracts		Total
Realized Gain (Loss)				
Equity derivatives	\$ 42	\$ -	\$	42
Foreign exchange derivatives	-	(100)		(100)
Total	\$ 42	\$ (100)	\$	(58)
Change in Unrealized Gain / Loss				
Equity derivatives	\$ (12)	\$ -	\$	(12)
Foreign exchange derivatives	-	101		101
Total	\$ (12)	\$ 101	\$	89

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.

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. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were traded, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of June 30, 2018, 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, 2018, the volume of the fund's activity in forwards, based on underlying notional amounts, was approximately 1% 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, options purchased are included in Investments in Securities, and Options written 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 Options written, potential losses in excess of the fund's initial investment. During the six months ended June 30, 2018, the volume of the fund's activity in options, 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 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 24% 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 borrowers 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 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, 2018, the value of loaned securities was \$3,477,000, the value of cash collateral and related investments was \$3,613,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated \$64,736,000 and \$105,614,000, respectively, for the six months ended June 30, 2018.

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, 2018, the cost of investments for federal income tax purposes was \$254,562,000. Net unrealized gain aggregated \$74,552,000 at period-end, of which \$87,237,000 related to appreciated investments and \$12,685,000 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, 2018, the fund had no deferred tax liability attributable to foreign securities and \$1,470,000 of foreign capital loss carryforwards, including \$309,000 that expire in 2018, \$195,000 that expire in 2019, \$421,000 that expire in 2020, \$40,000 that expire in 2021, \$18,000 that expire in 2022, \$195,000 that expire in 2023, \$23,000 that expire in 2025 and \$269,000 that expire in 2026.

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 its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). 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. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. 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, 2018, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

NOTE 8 - SUBSEQUENT EVENT

Effective July 1, 2018, the fund's all-inclusive annual fee for investment management and administrative services was reduced from 1.05% to 0.95% of average daily net assets.

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 5–6, 2018 (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, 2017, 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.

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 Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENT (CONTINUED)

potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

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, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) 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, 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 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).

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SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

Mid-Cap Growth Portfolio

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HIGHLIGHTS

- Mid-cap growth stocks continued to record highs in the first half of 2018.
- The Mid-Cap Growth Portfolio recorded a decent gain but modestly trailed its benchmark in the period.
- The market's focus on growth above all else—including profitability—did not suit our valuation-sensitive approach to growth investing.
- As the experience of the dot-com years demonstrates, the current growth mania cannot last forever, but predicting when reason will return is difficult.

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Dear Investor

After a brief setback in February, the market resumed its upward march in early 2018. As of June, the S&P 500's rally had continued for 112 months, putting it within grasping distance of the epic 114-month bull market run of the 1990s. In our letter six months ago, we discussed how comparisons with the 1990s transcend timespans and encompass many other worrying similarities—among them, an intense focus on growth above all other considerations, nonsensical valuations for firms that have never turned a profit, and a general sense of euphoria that pushes aside attention to risk. The persistence of these trends over the past six months has only served to heighten our sense that caution is warranted.

PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/18	Total Return
Mid-Cap Growth Portfolio	4.96%
Mid-Cap Growth Portfolio-II	4.80
Russell Midcap Growth Index	5.40
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	7.42

The Mid-Cap Growth Portfolio returned 4.96% in the six months ended June 30, 2018; the Mid-Cap Growth Portfolio-II returned 4.80% over that same period. The fund trailed its benchmark and peer group average, due largely to the underperformance of our health care holdings. Nevertheless, the fund remained favorably ranked relative to its competitors over longer time periods. (Based on cumulative total return, Lipper ranked the Mid-Cap Growth Portfolio 80 of 95, 25 of 91, 14 of 90, and 4 of 77 funds in the Lipper variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended June 30, 2018, respectively. Lipper ranked the Mid-Cap Growth Portfolio-II 86 of 95, 36 of 91, 19 of 90, and 12 of 77 funds in the Lipper variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended June 30, 2018, respectively. *Past performance cannot guarantee future results.*)

MARKET ENVIRONMENT

In many ways, investors could not have asked for a more fertile environment in early 2018. A synchronized global expansion boosted revenues for many firms, and bottom-line growth was even more impressive, turbocharged by the sharp cuts in corporate tax rates passed in December 2017. Profits for the S&P 500 increased by nearly 25% in the first quarter, their best performance since the aftermath of the great financial crisis nearly a decade ago, and analysts currently expect similar

growth for the rest of the year. Inflation fears caused a brief market pullback in February, and rising trade tensions sparked sporadic volatility, but the biggest worry on Wall Street may have been that this was “as good as it gets” for stock investors.

The underlying picture was a bit more complicated. While the mid-cap indexes climbed to new highs in late June, the market's advance was concentrated. Investors heavily favored the fastest-growing companies and crowded into the stocks that had recently performed best—making for the most “momentum driven” market in nearly two decades. Within the Russell Midcap Growth Index, health care and technology stocks led, returning around 11% in the first half of the year. In contrast, the large industrials and business services segment, which typically includes companies growing at a moderate pace, was roughly flat. The financials sector recorded only modest gains, and the small materials sector declined over 7%.

GROWTH VS. VALUE

Periods Ended 6/30/18	6 Months	12 Months	3 Years	5 Years
Russell Midcap Growth Index	5.40%	18.52%	35.76%	87.29%
Russell Midcap Value Index	-0.16	7.60	28.78	70.57

Cumulative returns.

Growth stocks again easily outpaced value stocks, extending a prolonged period of growth dominance. Indeed, our analysts calculate that the current stretch of growth outperformance, which began almost 11 years ago, is now the longest such style cycle in recent history, although second in magnitude to the growth boom of the 1990s.

PORTFOLIO REVIEW

As our longtime shareholders know, our goal in managing mid-cap growth portfolios over the past quarter century has been to capture much of the market's upside while faring better than our peers in downturns—a strategy that has helped us outperform handily over longer time periods. By this metric, we did fairly well in early 2018, nearing the index's return and enjoying strong gains from positions in a range of sectors. The growth-at-all-costs market environment over the past couple of years has been an uncomfortable fit with our valuation-sensitive investment approach, however, and we lagged our benchmarks. The absence of some of the market's highfliers in the fund was partly to blame, though we also had a few more stumbles than usual with some of our holdings.

Our top contributor in the first half of the year was **Keysight Technologies**, a spinoff from **Agilent Technologies** and the largest global manufacturer of electronic test and measurement equipment. The company surprised investors by continuing to enjoy solid revenue growth despite the destruction of part of its campus in last year's California wildfires. We believe the upcoming multiyear buildout of 5G wireless infrastructure will be a long-term tailwind for the firm given the need for assessing and calibrating network components and devices. (Please refer to the fund's portfolio of investments for a complete list of our holdings and the amount each represents in the portfolio.)

Open-source software provider **Red Hat's** stock stumbled in June but performed well for the fund for the period as a whole. Investors have worried that the move to cloud-based software services would harm Red Hat's business, but the company has adjusted well. Indeed, companies have found that using Red Hat's software in the cloud makes it easier to switch providers, helping drive down prices.

As software and Internet valuations have soared, we have found pockets of more reasonable valuations in the information technology services sector, including a former position in government contractor **CSRA**. Its shares spiked on news that the company would be acquired by General Dynamics, which was seeking to expand its position in cloud services and cybersecurity. Likewise, professional services firms have also offered some reasonably priced growth opportunities. For instance, a new management team at credit bureau **TransUnion** has invested heavily in technology infrastructure in recent years, and, as a result, the company has gained some share from competitors including **Equifax**, which has been distracted by last year's damaging security breach.

The leisure industry has been a focus of ours in recent years, partly because it is a rare consumer segment that is immune to Amazon's deflationary reach, at least for now. **Vail Resorts** performed well in the first half after reporting strong results despite poor snow conditions in ski country, proving the durability of its ski pass model. Conversely, after being one of our strongest performers in 2017, **Norwegian Cruise Line Holdings** relinquished some of its gains as fears of oversupply in the cruise ship market weighed on the stock. Investors also worried that an economic slowdown might affect the industry, although such fears seemed notably absent in the rest of the consumer discretionary sector.

We mentioned the strong performance of aerospace and defense firm **Textron** in our last letter. The company continued to benefit from strong sales of its Citation and Beechcraft aircraft, helped by improved business spending and new depreciation provisions in the tax code.

As noted, our health care holdings were our biggest detractor on a relative basis, although they provided a small overall boost to absolute returns. Our worst performer was **Alkermes**, which plunged in early April after the FDA refused to consider its application for approval of a new antidepressant. The FDA later reversed its decision, but the stock was unable to claw back all that it had lost. **Alnylam Pharmaceuticals** fell in reaction to successful trials of a competing drug for transthyretin amyloidosis, a rare neurological disorder.

SECTOR DIVERSIFICATION

	Percent of Net Assets	
	12/31/17	6/30/18
Information Technology	22.6%	23.1%
Industrials and Business Services	21.2	20.2
Health Care	18.3	15.6
Consumer Discretionary	14.5	15.4
Financials	9.3	9.1
Materials	5.3	4.9
Consumer Staples	2.1	2.0
Energy	1.3	1.5
Utilities	0.0	0.9
Real Estate	0.5	0.5
Telecommunication Services	0.0	0.0
Other and Reserves	4.9	6.8
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Electronic equipment maker **Coherent** suffered from the slower-than-expected adoption of organic light-emitting diode (OLED) screens, especially the disappointing sales of the OLED-equipped iPhone X. We acknowledge the problems in the OLED business, but we are maintaining our investment. Coherent is also a leading manufacturer of specialty lasers, with either number one or number two market positions in microelectronics, materials processing, medical, and scientific research/government programs; we believe the value of these businesses alone is close to where the stock is currently trading. Also detracting from our fund's performance was **Bruker**, which operates in a similar business, manufacturing scientific instruments and analytical devices, such as microscopes and X-ray machines. The company's long-term prospects also seem solid, but modest revenue guidance and slowing growth in its important Chinese export market weighed on the stock.

INVESTMENT STRATEGY AND OUTLOOK

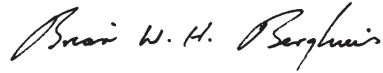
Extremes in market sentiment are only truly visible in hindsight, but it seems clear that the growth mania we have warned about over the past couple of years has reached a new plane. Indeed, it appears that many investors have dispensed with price-to-earnings or other traditional valuation metrics entirely. Some have chosen instead to value companies based on baroque concepts such as “total market opportunity,” while momentum investors have simply piled into the stocks that have already performed best. It seems that many investors have become almost oblivious to risk and are willing to invest in companies with fast-growing revenues but little or no intermediate-term prospect of actually turning a profit.

While stock valuations are not close to the stratospheric heights of the late 1990s, the current period of exuberance is worrisome in its own way because of the novel forces behind the market’s gains. Courtesy of the Federal Reserve’s extraordinary monetary easing, companies have enjoyed nearly a decade of cost-free financing, which has kept many subpar firms afloat and even growing. Moreover, cheap capital, often flowing through private-equity funds, has allowed start-ups to sell goods and services at a loss and take market share from incumbents. Astonishingly, given the record-low long-term rates that were available, much of the new debt fueling these adventures is short term and will be coming due in the next few years. Financial innovations are also at work. The growth of passive investing and the advent of exchange-traded funds have concentrated assets in stocks that have already done well and reduced the influence of value-sensitive active investors.

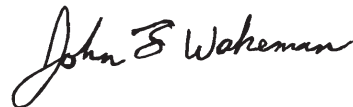
Eventually, a reckoning will come, but when it will arrive is far from certain. In mid-1999, we were equally convinced that the aging bull market’s foundations were unstable, but it was almost a year before the bear market began in earnest.

Moreover, events may play out better this time as extended but less extreme valuations slowly normalize rather than burst like a bubble. In the meantime, we are maintaining a relatively defensive posture while sticking to the careful research process that has served the fund well in past market cycles.

Respectfully submitted,



Brian W.H. Berghuis
Chairman of the fund’s Investment Advisory Committee



John F. Wakeman
Executive vice president of the fund

July 17, 2018

The committee chairman has day-to-day responsibility for managing the fund and works with committee members in developing and executing the fund’s investment program.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

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 indexes: Fund benchmarks that consist of a small number of the largest mutual funds in a particular category as 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: Frank Russell Company (Russell) is the source and owner of the Russell index data contained or reflected in these materials and all trademarks and copyrights related thereto. Russell® is a registered trademark of Russell. Russell is not responsible for the formatting or configuration of these materials or for any inaccuracy in T. Rowe Price Associates' presentation thereof.

TWENTY-FIVE LARGEST HOLDINGS

	Percent of Net Assets 6/30/18
Teleflex	2.4%
Textron	2.3
Microchip Technology	2.0
Keysight Technologies	1.9
Tapestry	1.8
Dollar General	1.8
Roper Technologies	1.8
Cooper Companies	1.7
Hologic	1.6
IDEX	1.5
Harris	1.5
Willis Towers Watson	1.5
TD Ameritrade Holding	1.5
Sensata Technologies Holding	1.5
Agilent Technologies	1.4
Progressive	1.3
Norwegian Cruise Line Holdings	1.3
Worldpay	1.3
FNF	1.3
Fiserv	1.2
IAC/InterActiveCorp	1.1
Ball	1.1
Verisk Analytics	1.1
Air Products & Chemicals	1.0
Vail Resorts	1.0
Total	37.9%

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.

CONTRIBUTIONS TO THE CHANGE IN NET ASSET VALUE

Six Months Ended 6/30/18

BEST CONTRIBUTORS

Keysight Technologies	17¢
Textron	10
Red Hat	7
CSRA**	7
TransUnion	7
Vail Resorts	7
Bioverativ**	7
Dexcom	6
Atlassian	6
Envision Healthcare	6
Total	80¢

WORST CONTRIBUTORS

Alkermes	-8¢
Coherent	-6
Bruker	-5
Alnylam Pharmaceuticals	-5
Norwegian Cruise Line Holdings	-5
Acuity Brands**	-5
Cboe Global Markets	-4
Symantec	-4
Colfax	-4
Valvoline	-3
Total	-49¢

12 Months Ended 6/30/18

BEST CONTRIBUTORS

Textron	22¢
Keysight Technologies	20
Teleflex	17
Red Hat	16
Dollar General	15
Progressive	12
Harris	11
TransUnion	11
TD Ameritrade Holding	10
Splunk	10
Total	144¢

WORST CONTRIBUTORS

Envision Healthcare	-12¢
Alkermes	-10
TreeHouse Foods	-10
MEDNAX	-8
Equifax	-7
Incyte	-6
Acuity Brands**	-6
Hologic	-6
Symantec*	-6
Norwegian Cruise Line Holdings	-6
Total	-77¢

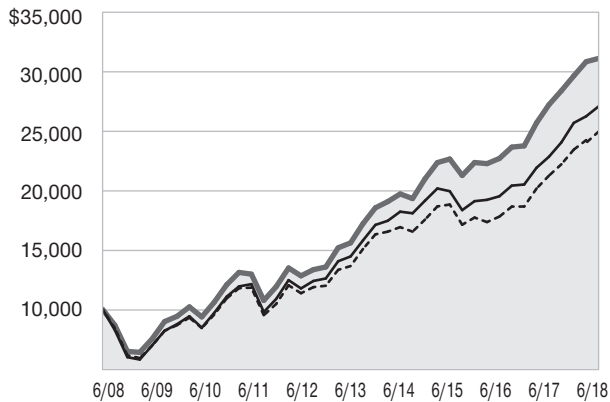
* Position added.

** Position eliminated.

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 include a broad-based market index and may also include 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



As of 6/30/18

— Mid-Cap Growth Portfolio	\$31,055
— Russell Midcap Growth Index	27,027
--- Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	25,134

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 6/30/18	1 Year	5 Years	10 Years
Mid-Cap Growth Portfolio	14.29%	14.81%	12.00%
Mid-Cap Growth Portfolio-II	13.99	14.52	11.72

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. 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 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Mid-Cap Growth Portfolio			
Actual	\$1,000.00	\$1,049.60	\$4.32
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.58	4.26
Mid-Cap Growth Portfolio-II			
Actual	1,000.00	1,048.00	5.59
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%. Prior to July 1, 2018, the annual investment management fee for the fund was 0.85%. Effective July 1, 2018, Price Associates agreed to reduce the fund's management fee to 0.84%. For the Mid-Cap Growth Portfolio, the actual ending account value and expenses paid during the period would have been \$1,049.65 and \$4.27, and the hypothetical ending account value and expenses paid during the period would have been \$1,020.63 and \$4.21, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period. For the Mid-Cap Growth Portfolio-II, the actual ending account value and expenses paid during the period would have been \$1,048.05 and \$5.54, and the hypothetical ending account value and expenses paid during the period would have been \$1,019.39 and \$5.46, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period.

T. ROWE PRICE MID-CAP GROWTH PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Mid-Cap Growth Class

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 28.25	\$ 25.57	\$ 25.70	\$ 27.88	\$ 27.70	\$ 22.00
Investment activities						
Net investment loss ⁽¹⁾	— ⁽²⁾	(0.04)	(0.03)	(0.05)	(0.07)	(0.08)
Net realized and unrealized gain / loss	1.40	6.39	1.66	1.85	3.62	8.10
Total from investment activities	1.40	6.35	1.63	1.80	3.55	8.02
Distributions						
Net realized gain	—	(3.67)	(1.76)	(3.98)	(3.37)	(2.32)
NET ASSET VALUE						
End of period	\$ 29.65	\$ 28.25	\$ 25.57	\$ 25.70	\$ 27.88	\$ 27.70

Ratios/Supplemental Data

Total return⁽³⁾	4.96%	24.77%	6.26%	6.56%	13.12%	36.69%
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 loss to average net assets	(0.02)% ⁽⁴⁾	(0.13)%	(0.11)%	(0.18)%	(0.25)%	(0.30)%
Portfolio turnover rate	11.5%	24.7%	28.9%	29.4%	26.1%	25.1%
Net assets, end of period (in thousands)	\$ 418,677	\$ 411,412	\$ 353,074	\$ 350,626	\$ 356,083	\$ 342,210

⁽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.

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Mid-Cap Growth-II Class

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE						
Beginning of period	\$ 27.11	\$ 24.65	\$ 24.85	\$ 27.08	\$ 26.99	\$ 21.49
Investment activities						
Net investment loss ⁽¹⁾	(0.04)	(0.11)	(0.09)	(0.12)	(0.14)	(0.14)
Net realized and unrealized gain / loss	1.34	6.15	1.61	1.79	3.52	7.91
Total from investment activities	1.30	6.04	1.52	1.67	3.38	7.77
Distributions						
Net realized gain	-	(3.58)	(1.72)	(3.90)	(3.29)	(2.27)
NET ASSET VALUE						
End of period	\$ 28.41	\$ 27.11	\$ 24.65	\$ 24.85	\$ 27.08	\$ 26.99

Ratios/Supplemental Data

Total return⁽²⁾	4.80%	24.44%	6.03%	6.27%	12.82%	36.40%
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	(0.27)% ⁽³⁾	(0.38)%	(0.36)%	(0.43)%	(0.50)%	(0.55)%
Portfolio turnover rate	11.5%	24.7%	28.9%	29.4%	26.1%	25.1%
Net assets, end of period (in thousands)	\$ 50,129	\$ 52,926	\$ 54,691	\$ 52,528	\$ 68,497	\$ 63,572

⁽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.

T. ROWE PRICE MID-CAP GROWTH PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS†	Shares	\$ Value
(Cost and value in \$000s)		
COMMON STOCKS 92.7%		
Consumer Discretionary 15.4%		
Auto Components 0.9%		
Aptiv	46,000	4,215
		4,215
Automobiles 0.2%		
Ferrari	8,000	1,080
		1,080
Diversified Consumer Services 0.8%		
ServiceMaster Global Holdings (1)	61,000	3,628
		3,628
Hotels, Restaurants & Leisure 6.3%		
Aramark	92,000	3,413
Darden Restaurants	14,000	1,499
Dunkin' Brands	39,000	2,694
Hilton Worldwide Holdings	23,000	1,821
Marriott International, Class A	30,000	3,798
MGM Resorts International	137,000	3,977
Norwegian Cruise Line Holdings (1)	130,000	6,142
Royal Caribbean Cruises	15,000	1,554
Vail Resorts	17,000	4,661
		29,559
Internet & Direct Marketing Retail 0.7%		
Expedia	26,000	3,125
		3,125
Multiline Retail 1.8%		
Dollar General	84,000	8,282
		8,282
Specialty Retail 2.6%		
Burlington Stores (1)	21,000	3,161
CarMax (1)	43,000	3,134
Michaels (1)	59,000	1,131
O'Reilly Automotive (1)	11,000	3,009
Ulta Beauty (1)	8,000	1,868
		12,303
Textiles, Apparel & Luxury Goods 2.1%		
PVH	11,000	1,647

	Shares	\$ Value
(Cost and value in \$000s)		
Tapestry	181,000	8,454
		10,101
Total Consumer Discretionary		72,293
Consumer Staples 2.0%		
Food & Staples Retailing 1.1%		
Casey's General Stores	29,000	3,047
Sprouts Farmers Market (1)	83,000	1,832
		4,879
Food Products 0.9%		
ConAgra Brands	52,000	1,858
TreeHouse Foods (1)	48,000	2,520
		4,378
Total Consumer Staples		9,257
Energy 1.5%		
Oil, Gas & Consumable Fuels 1.5%		
ARC Resources (CAD)	78,000	806
Centennial Resource Development, Class A (1)	74,000	1,336
Concho Resources (1)	30,000	4,151
Venture Global LNG, Series B Acquisition Date: 3/8/18 Cost \$60 (1)(2)(3)	20	101
Venture Global LNG, Series C Acquisition Date: 10/16/17 – 3/8/18, Cost \$511 (1)(2)(3)	139	704
Total Energy		7,098
Financials 9.1%		
Banks 0.9%		
Fifth Third Bancorp	92,000	2,640
Webster Financial	24,000	1,529
		4,169
Capital Markets 3.2%		
CBOE Global Markets	38,000	3,955
KKR, Partnership, Class A	92,000	2,286
MarketAxess Holdings	7,000	1,385
Oaktree Capital, Partnership	19,000	773
TD Ameritrade Holding	125,000	6,846
		15,245
Consumer Finance 0.3%		
SLM Corporation (1)	136,000	1,557
		1,557
Insurance 4.7%		
Assurant	17,000	1,759

	Shares	\$ Value
(Cost and value in \$000s)		
Axis Capital Holdings	15,000	834
FNF Group	159,000	5,982
Progressive	106,000	6,270
Willis Towers Watson	46,000	6,974
		21,819
Total Financials		42,790
Health Care 15.6%		
Biotechnology 2.5%		
Alkermes (1)	92,000	3,787
Alnylam Pharmaceuticals (1)	26,000	2,561
Incyte (1)	29,000	1,943
Madrigal Pharmaceuticals (1)	1,000	280
SAGE Therapeutics (1)	5,000	782
Seattle Genetics (1)	30,274	2,010
TESARO (1)	5,000	222
		11,585
Health Care Equipment & Supplies 7.0%		
Cooper	34,000	8,005
Dentsply Sirona	19,000	831
Dexcom (1)	17,000	1,615
Hologic (1)	187,000	7,433
IDEXX Laboratories (1)	6,000	1,308
Teleflex	42,000	11,265
West Pharmaceutical Services	23,000	2,284
		32,741
Health Care Providers & Services 1.8%		
Acadia Healthcare (1)	54,604	2,234
Envision Healthcare (1)	92,000	4,049
MEDNAX (1)	48,088	2,081
		8,364
Health Care Technology 0.3%		
athenahealth (1)	5,000	796
Veeva Systems, Class A (1)	12,000	922
		1,718
Life Sciences Tools & Services 3.2%		
Agilent Technologies	106,000	6,555
Bruker	153,000	4,443
Illumina (1)	5,000	1,397
IQVIA Holdings (1)	27,000	2,695
		15,090

	Shares	\$ Value
(Cost and value in \$000s)		
Pharmaceuticals 0.8%		
Catalent (1)	90,000	3,770
		3,770
Total Health Care		73,268
Industrials & Business Services 20.2%		
Aerospace & Defense 4.8%		
BWX Technologies	33,159	2,066
Harris	48,704	7,040
L3 Technologies	6,360	1,223
Maxar Technologies	24,320	1,229
Textron	167,000	11,007
		22,565
Airlines 0.6%		
United Continental Holdings (1)	38,000	2,650
		2,650
Building Products 0.8%		
Allegion	47,000	3,636
		3,636
Commercial Services & Supplies 1.8%		
ADT	89,000	770
KAR Auction Services	61,000	3,343
Waste Connections	57,264	4,311
		8,424
Electrical Equipment 1.4%		
Sensata Technologies Holding (1)	143,000	6,804
		6,804
Industrial Conglomerates 1.8%		
Roper Technologies	30,000	8,277
		8,277
Machinery 4.2%		
Colfax (1)	75,000	2,299
Fortive	57,000	4,395
Gardner Denver Holdings (1)	74,828	2,199
IDEX	53,000	7,234
Xylem	56,000	3,773
		19,900
Professional Services 3.0%		
Equifax	12,000	1,501
IHS Markit (1)	56,000	2,889
TransUnion	63,000	4,513

	Shares	\$ Value
(Cost and value in \$000s)		
Verisk Analytics (1)	46,000	4,952
		13,855
Road & Rail 0.8%		
J.B. Hunt Transport Services	8,000	972
Kansas City Southern	27,000	2,861
		3,833
Trading Companies & Distribution 1.0%		
HD Supply Holdings (1)	106,000	4,546
		4,546
Total Industrials & Business Services		94,490
Information Technology 23.0%		
Electronic Equipment, Instruments & Components 3.5%		
Coherent (1)	11,000	1,721
Corning	151,000	4,154
Keysight Technologies (1)	152,000	8,973
National Instruments	35,000	1,469
		16,317
Internet Software & Services 2.6%		
CoStar Group (1)	7,600	3,136
Dropbox, Class A (1)	4,623	150
Dropbox, Class B, Acquisition Date: 5/1/12, Cost \$642 (1)(3)	47,300	1,457
IAC/InterActiveCorp (1)	34,000	5,185
Match Group (1)	10,107	391
Shopify, Class A (1)	7,000	1,021
Zillow, Class A (1)	8,000	478
Zillow, Class C (1)	7,080	418
		12,236
IT Services 6.7%		
Black Knight (1)	67,000	3,588
CoreLogic (1)	79,000	4,100
Fidelity National Information Services	27,000	2,863
Fiserv (1)	76,000	5,631
FleetCor Technologies (1)	17,921	3,775
Gartner (1)	15,000	1,993
Global Payments	30,000	3,345
Worldpay, Class A (1)	75,000	6,133
		31,428
Semiconductors & Semiconductor Equipment 5.0%		
Marvell Technology Group	167,000	3,580
Maxim Integrated Products	46,000	2,698

	Shares	\$ Value
(Cost and value in \$000s)		
Microchip Technology	104,000	9,459
Qorvo (1)	15,000	1,203
Skyworks Solutions	23,000	2,223
Xilinx	65,000	4,242
		23,405
Software 5.2%		
Atlassian, Class A (1)	55,000	3,438
CDK Global	35,000	2,277
Electronic Arts (1)	8,000	1,128
Guidewire Software (1)	15,000	1,332
Red Hat (1)	21,000	2,822
ServiceNow (1)	4,000	690
Splunk (1)	10,000	991
SS&C Technologies Holdings	41,942	2,177
Symantec	104,000	2,148
Tableau Software, Class A (1)	27,000	2,639
Workday, Class A (1)	38,000	4,602
		24,244
Total Information Technology		107,630
Materials 4.9%		
Chemicals 2.5%		
Air Products & Chemicals	30,000	4,672
RPM	64,000	3,733
Valvoline	164,000	3,537
		11,942
Construction Materials 0.5%		
Martin Marietta Materials	11,000	2,457
		2,457
Containers & Packaging 1.4%		
Ardagh	9,000	150
Ball	145,000	5,155
Sealed Air	30,000	1,273
		6,578
Metals & Mining 0.5%		
Franco-Nevada	29,000	2,117
		2,117
Total Materials		23,094
Real Estate 0.1%		
Real Estate Management & Development 0.1%		
WeWork, Class A, Acquisition Date: 12/9/14 – 5/26/15 Cost \$121 (1)(2)(3)	8,345	383
Total Real Estate		383

	Shares	\$ Value
(Cost and value in \$000s)		
Utilities 0.9%		
Gas Utilities 0.3%		
Atmos Energy	18,000	1,622
		1,622
Multi-Utilities 0.6%		
Sempra Energy	24,000	2,787
		2,787
Total Utilities		4,409
Total Common Stocks (Cost \$269,511)		434,712

CONVERTIBLE PREFERRED STOCKS 0.5%**Information Technology 0.1%****Internet Software & Services 0.1%**

Roofoods, Series F, Acquisition		
Date: 9/12/17, Cost \$662		
(1)(2)(3)	1,871	662
Total Information Technology		662

	Shares	\$ Value
(Cost and value in \$000s)		
Real Estate 0.4%		
Real Estate Management & Development 0.4%		
WeWork, Series D-1, Acquisition		
Date: 12/9/14, Cost \$362		
(1)(2)(3)	21,721	996
WeWork, Series D-2, Acquisition		
Date: 12/9/14, Cost \$284		
(1)(2)(3)	17,066	782
Total Real Estate		1,778
Total Convertible Preferred Stocks (Cost \$1,307)		2,440

SHORT-TERM INVESTMENTS 7.1%**Money Market Funds 7.1%**

T. Rowe Price Treasury Reserve		
Fund, 1.88% (4)(5)	33,287,721	33,288
Total Short-Term Investments (Cost \$33,288)		33,288

Total Investments in Securities

100.3% of Net Assets (Cost \$304,106) \$ 470,440

‡ Shares are denominated in U.S. dollars unless otherwise noted.

(1) Non-income producing

(2) Level 3 in fair value hierarchy. See Note 2.

(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 \$5,085 and represents 1.1% of net assets.

(4) Seven-day yield

(5) Affiliated Company

CAD Canadian Dollar

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 that 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, 2018. Net realized gain (loss), investment income, change in net unrealized gain/loss and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain		Change in Net		Investment
	(Loss)		Unrealized		
			Gain/Loss		Income
T. Rowe Price Treasury Reserve Fund	\$	—	\$	—	\$ 212
Totals	\$	— [#]	\$	—	\$ 212+

Supplementary Investment Schedule

Affiliate	Value 12/31/17	Purchase Cost	Sales Cost	Value 6/30/18
T. Rowe Price Treasury Reserve Fund	\$ 23,482	□	□ \$	33,288
			\$	33,288 [^]

[#] Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

⁺ Investment income comprised \$212 of dividend income and \$0 of interest income.

□ Purchase and sale information not shown for cash management funds.

[^] The cost basis of investments in affiliated companies was \$33,288.

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

June 30, 2018 (Unaudited)

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$304,106)	\$	470,440
Receivable for investment securities sold		835
Dividends receivable		248
Receivable for shares sold		31
Cash		5
Foreign currency (cost \$3)		3
Other assets		1
Total assets		<u>471,563</u>

Liabilities

Payable for investment securities purchased		1,599
Payable for shares redeemed		750
Investment management and administrative fees payable		408
Total liabilities		<u>2,757</u>

NET ASSETS	\$	<u>468,806</u>
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Net Assets Consist of:

Accumulated net investment loss	\$	(106)
Accumulated undistributed net realized gain		39,669
Net unrealized gain		166,334
Paid-in capital applicable to 15,885,930 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>262,909</u>

NET ASSETS	\$	<u>468,806</u>
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NET ASSET VALUE PER SHARE

Mid-Cap Growth Class (\$418,676,702 / 14,121,425 shares outstanding)	\$	<u>29.65</u>
Mid-Cap Growth – II Class (\$50,129,153 / 1,764,505 shares outstanding)	\$	<u>28.41</u>

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

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/18
Investment Income (Loss)	
Income	
Dividend	\$ 1,959
Total income	1,959
Expenses	
Investment management and administrative expense	2,003
Rule 12b-1 fees - Mid-Cap Growth-II Class	62
Total expenses	2,065
Net investment loss	(106)
Realized and Unrealized Gain / Loss	
Net realized gain on securities	35,091
Change in net unrealized gain/loss on securities	(12,206)
Net realized and unrealized gain / loss	22,885
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 22,779

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

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment loss	\$ (106)	\$ (708)
Net realized gain	35,091	50,405
Change in net unrealized gain / loss	(12,206)	46,985
Increase in net assets from operations	22,779	96,682
Distributions to shareholders		
Net realized gain		
Mid-Cap Growth Class	-	(47,398)
Mid-Cap Growth-II Class	-	(6,203)
Decrease in net assets from distributions	-	(53,601)
Capital share transactions *		
Shares sold		
Mid-Cap Growth Class	12,698	17,632
Mid-Cap Growth-II Class	3,321	8,941
Distributions reinvested		
Mid-Cap Growth Class	-	47,398
Mid-Cap Growth-II Class	-	6,203
Shares redeemed		
Mid-Cap Growth Class	(25,769)	(43,547)
Mid-Cap Growth-II Class	(8,561)	(23,135)
Increase (decrease) in net assets from capital share transactions	(18,311)	13,492
Net Assets		
Increase during period	4,468	56,573
Beginning of period	464,338	407,765
End of period	\$ 468,806	\$ 464,338
Undistributed (accumulated) net investment income (loss)	(106)	-
*Share information		
Shares sold		
Mid-Cap Growth Class	430	608
Mid-Cap Growth-II Class	117	316
Distributions reinvested		
Mid-Cap Growth Class	-	1,671
Mid-Cap Growth-II Class	-	228
Shares redeemed		
Mid-Cap Growth Class	(869)	(1,523)
Mid-Cap Growth-II Class	(305)	(811)
Increase (decrease) in shares outstanding	(627)	489

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

NOTES TO 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: Mid-Cap Growth Portfolio (Mid-Cap Growth Class) and the Mid-Cap Growth Portfolio–II (Mid-Cap Growth–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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost 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, are recorded as income tax expense. Income distributions, if any, 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 respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. 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–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 March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

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, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
Assets				
Common Stocks	\$ 431,261	\$ 2,263	\$ 1,188	\$ 434,712
Convertible Preferred Stocks	–	–	2,440	2,440
Short-Term Investments	33,288	–	–	33,288
Total	\$ 464,549	\$ 2,263	\$ 3,628	\$ 470,440

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2018.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2018. 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, 2018, totaled \$233,000 for the six months ended June 30, 2018. 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 12/31/17	Gain (Loss) During Period	Total Purchases	Transfers Out of Level 3	Ending Balance 6/30/18
Investments in Securities					
Common Stocks	\$ 943	\$ 233	\$ 112	\$ (100)	\$ 1,188
Convertible Preferred Stocks	3,171	-	-	(731)	2,440
Total Level 3	\$ 4,114	\$ 233	\$ 112	\$ (831)	\$ 3,628

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Other Purchases and sales of portfolio securities other than short-term securities aggregated \$50,518,000 and \$77,867,000 respectively, for the six months ended June 30, 2018.

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, 2018, the cost of investments for federal income tax purposes was \$305,423,000. Net unrealized gain aggregated \$165,017,000 at period-end, of which \$173,355,000 related to appreciated investments and \$8,338,000 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 its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). 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. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. 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, 2018, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

NOTE 6 - SUBSEQUENT EVENT

Effective July 1, 2018, the fund's all-inclusive annual fee for investment management and administrative services was reduced from 0.85% to 0.84% of average daily net assets.

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), on behalf of the fund. In that regard, at an in-person meeting held on March 5–6, 2018 (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, 2017, 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 Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the potential future

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

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, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) 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 fourth quintile (Expense Group) and fifth quintile (Expense Universe), and the fund's total expenses ranked in the fourth 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 fourth and fifth quintiles 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.

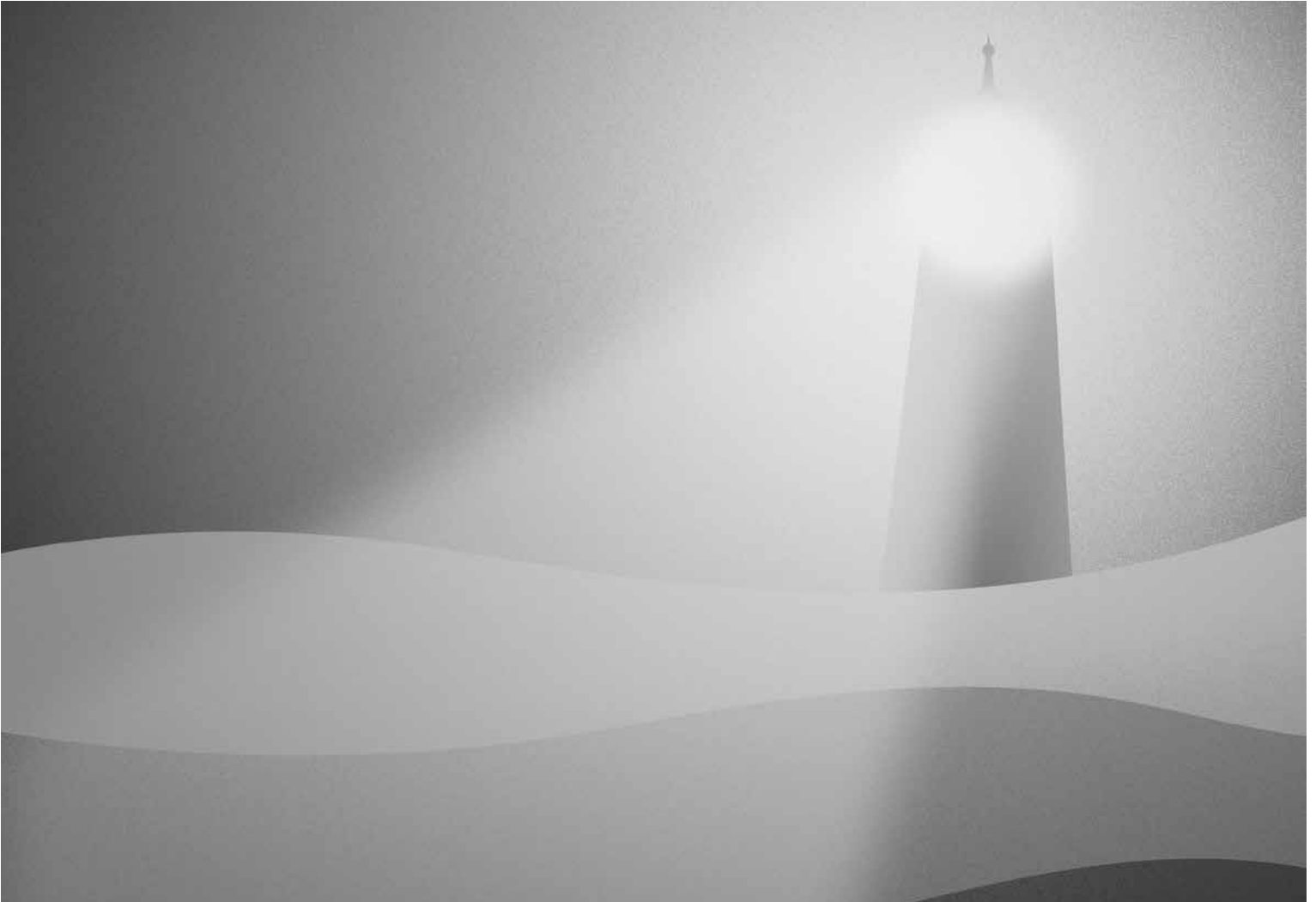
Approval of the Advisory Contract

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.RowePrice®

100 East Pratt Street
Baltimore, MD 21202

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.



Semiannual Report | June 30, 2018

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.

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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: Nautical images have been part of Vanguard’s rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long, sweeping tail on the last name.

Mortimer J. Buckley
President and Chief Executive Officer
July 13, 2018

Market Perspective

U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

¹ Annualized.

Equity Index Portfolio

U.S. stocks faced high volatility but in aggregate posted modest gains for the first half of 2018. Investor concerns about monetary policy, trade tariffs, and rising inflation were countered by favorable job reports and corporate earnings. The Federal Reserve raised short-term interest rates in March and June and signaled that two more increases were likely during 2018. The yield on 10-year U.S. Treasuries topped 3% for the first time since 2014 but fell back as short-term rates increased, resulting in a flatter yield curve.

For the six months ended June 30, the Equity Index Portfolio of Vanguard Variable Insurance Fund returned 2.57%, closely tracking its benchmark index, the Standard & Poor's 500 Index. The portfolio outpaced the average return of its peer funds.

The table below shows the returns of your portfolio and its comparative standards for the period.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable

Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Consumer discretionary led sector returns

The Equity Index Portfolio provides exposure to the stocks of the largest U.S. companies. Stocks of every style and from every industry sector are represented. During the period, large- and mid-capitalization stocks lagged their small-cap counterparts, and growth stocks outpaced value.

Six of the portfolio's 11 industry sectors recorded gains. Consumer discretionary stocks returned more than 11%. Information technology, the largest sector, returned more than 10% and added most to results, as investors shook off concerns about greater regulatory scrutiny after widely publicized security and privacy breaches. Energy stocks also were strong contributors, as oil production cuts by OPEC and Russia helped drive oil inventories to three-year lows and boost oil prices. Health care, real estate, and utilities posted gains as well.

The consumer staples and telecommunication services sectors each declined more than -8%. Industrials, financials, and materials also lost ground. Consumer staples, financials, and industrials detracted most from returns.

Total Returns

	Six Months Ended June 30, 2018
Equity Index Portfolio	2.57%
S&P 500 Index	2.65
Variable Insurance Large-Cap Core Funds Average ¹	1.74

Expense Ratios²

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.78%

¹ Derived from data provided by Lipper, a Thomson Reuters Company.

² The portfolio expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the portfolio's 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 2017.

Portfolio Profile

As of June 30, 2018

Portfolio Characteristics

	Portfolio	Target Index ¹	Broad Index ²
Number of Stocks	507	505	3,779
Median Market Cap	\$104.8B	\$104.8B	\$64.0B
Price/Earnings Ratio	21.0x	21.0x	20.7x
Price/Book Ratio	3.2x	3.2x	3.0x
Yield ³	1.8%	1.9%	1.8%
Return on Equity	16.1%	16.1%	15.0%
Earnings Growth Rate	7.9%	7.9%	8.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate ⁴	5%	—	—
Expense Ratio ⁵	0.15%	—	—
Short-Term Reserves	-0.1%	—	—

Volatility Measures

	Portfolio Versus Target Index ¹	Portfolio Versus Broad Index ²
R-Squared	1.00	0.99
Beta	1.00	0.98

Sector Diversification (% of equity exposure)

	Portfolio	Target Index ¹	Broad Index ²
Consumer Discretionary	12.9%	12.9%	13.2%
Consumer Staples	6.9	6.9	6.2
Energy	6.3	6.3	6.1
Financials	13.9	13.8	14.3
Health Care	14.1	14.1	13.7
Industrials	9.5	9.6	10.2
Information Technology	26.0	26.0	24.7
Materials	2.6	2.6	3.1
Real Estate	2.9	2.9	3.8
Telecommunication Services	2.0	2.0	1.8
Utilities	2.9	2.9	2.9

Ten Largest Holdings⁶ (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	3.9
Microsoft Corp.	Systems Software	3.3
Amazon.com Inc.	Internet & Direct Marketing Retail	3.0
Alphabet Inc.	Internet Software & Services	2.9
Facebook Inc.	Internet Software & Services	2.0
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.6
JPMorgan Chase & Co.	Diversified Banks	1.5
Exxon Mobil Corp.	Integrated Oil & Gas	1.5
Johnson & Johnson	Pharmaceuticals	1.4
Bank of America Corp.	Diversified Banks	1.1
Top Ten		22.2%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

¹ 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.

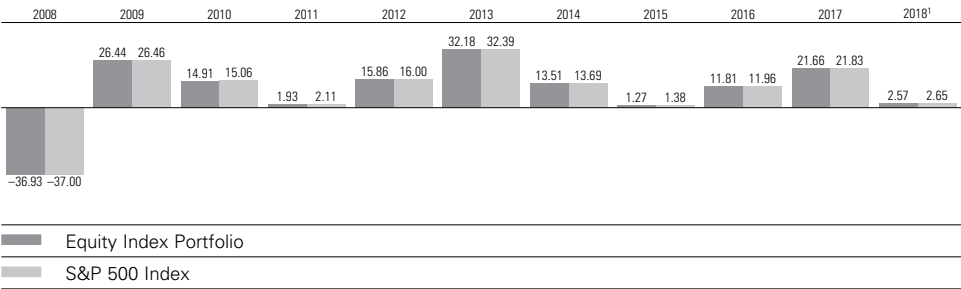
⁵ The expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the portfolio's annualized expense ratio was 0.15%.

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, 2007–June 30, 2018



Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years
Equity Index Portfolio	4/29/1991	14.20%	13.27%	10.05%

¹ Six months ended June 30, 2018.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2018

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)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (99.5%)¹								
Consumer Discretionary (12.9%)								
* Amazon.com Inc.	92,352	156,980	Hasbro Inc.	26,090	2,408	Estee Lauder Cos. Inc.		
Home Depot Inc.	264,552	51,614	Advance Auto Parts Inc.	17,076	2,317	Class A	51,468	7,344
* Netflix Inc.	99,645	39,004	* Michael Kors Holdings Ltd.	34,259	2,282	General Mills Inc.	135,914	6,016
Walt Disney Co.	340,973	35,737	* LKQ Corp.	71,118	2,269	Archer-Daniels-Midland Co.	127,912	5,862
Comcast Corp. Class A	1,053,170	34,555	* Norwegian Cruise Line Holdings Ltd.	47,454	2,242	* Monster Beverage Corp.	93,966	5,384
McDonald's Corp.	180,104	28,221	Whirlpool Corp.	14,815	2,166	Kroger Co.	186,638	5,310
NIKE Inc. Class B	294,178	23,440	Tractor Supply Co.	27,846	2,130	Tyson Foods Inc. Class A	68,318	4,704
* Booking Holdings Inc.	11,009	22,316	Interpublic Group of Cos. Inc.	88,703	2,079	Clorox Co.	29,787	4,029
Lowe's Cos. Inc.	188,501	18,015	* L Brands Inc.	55,883	2,061	Kellogg Co.	57,418	4,012
Starbucks Corp.	316,502	15,461	* Discovery Communications Inc.	78,228	1,995	McCormick & Co. Inc.	27,865	3,235
TJX Cos. Inc.	143,825	13,689	BorgWarner Inc.	45,150	1,949	Conagra Brands Inc.	90,274	3,225
* Charter Communications Inc. Class A	42,520	12,467	* Hanesbrands Inc.	82,535	1,817	Church & Dwight Co. Inc.	56,088	2,982
Twenty-First Century Fox Inc. Class A	241,471	11,999	* DISH Network Corp. Class A	52,559	1,767	Hershey Co.	31,990	2,977
General Motors Co.	290,927	11,463	News Corp. Class A	112,823	1,749	Brown-Forman Corp. Class B	60,037	2,942
Ford Motor Co.	897,681	9,937	PulteGroup Inc.	60,275	1,733	Molson Coors Brewing Co. Class B	42,460	2,889
Target Corp.	122,304	9,310	Gap Inc.	49,909	1,617	JM Smucker Co.	25,995	2,794
Marriott International Inc. Class A	68,021	8,611	Ralph Lauren Corp. Class A	12,779	1,607	^ Hormel Foods Corp.	62,020	2,308
Ross Stores Inc.	86,852	7,361	Harley-Davidson Inc.	38,136	1,605	Campbell Soup Co.	44,216	1,792
VF Corp.	75,168	6,128	Garmin Ltd.	25,315	1,544	Coty Inc. Class A	108,888	1,535
Yum! Brands Inc.	74,127	5,798	Foot Locker Inc.	26,978	1,420			362,717
Dollar General Corp.	58,388	5,757	* Nordstrom Inc.	27,146	1,406	Energy (6.3%)		
Aptiv plc	60,719	5,564	* TripAdvisor Inc.	24,517	1,366	Exxon Mobil Corp.	971,005	80,331
Carnival Corp.	92,925	5,326	Leggett & Platt Inc.	30,044	1,341	Chevron Corp.	438,237	55,406
* O'Reilly Automotive Inc.	18,757	5,131	Mattel Inc.	79,158	1,300	Schlumberger Ltd.	317,675	21,294
Hilton Worldwide Holdings Inc.	64,095	5,074	Goodyear Tire & Rubber Co.	55,141	1,284	ConocoPhillips	268,287	18,678
Twenty-First Century Fox Inc.	101,057	4,979	* H&R Block Inc.	48,118	1,096	EOG Resources Inc.	132,730	16,516
* Dollar Tree Inc.	54,587	4,640	* Discovery Communications Inc. Class A	35,718	982	Occidental Petroleum Corp.	175,645	14,698
CBS Corp. Class B	78,290	4,401	* Under Armour Inc. Class A	42,867	964	Valero Energy Corp.	98,835	10,954
Best Buy Co. Inc.	56,315	4,200	* Under Armour Inc.	42,852	903	Phillips 66	96,240	10,809
* AutoZone Inc.	6,152	4,128	News Corp. Class B	3,100	49	Halliburton Co.	200,849	9,050
Royal Caribbean Cruises Ltd.	38,892	4,029	Lennar Corp. Class B	1,031	44	Anadarko Petroleum Corp.	118,209	8,659
Omnicom Group Inc.	52,215	3,982			682,407	Kinder Morgan Inc.	435,284	7,692
MGM Resorts International	115,210	3,345	Consumer Staples (6.8%)			Marathon Petroleum Corp.	105,930	7,432
Expedia Group Inc.	27,617	3,319	Procter & Gamble Co.	576,661	45,014	Pioneer Natural Resources Co.	39,047	7,389
Lennar Corp. Class A	62,029	3,257	Coca-Cola Co.	878,478	38,530	ONEOK Inc.	94,312	6,586
Wynn Resorts Ltd.	19,355	3,239	PepsiCo Inc.	325,200	35,404	Devon Energy Corp.	120,223	5,285
DR Horton Inc.	78,727	3,228	Philip Morris International Inc.	356,546	28,788	Williams Cos. Inc.	190,131	5,154
* Mohawk Industries Inc.	14,488	3,104	Walmart Inc.	331,808	28,419	* Concho Resources Inc.	34,118	4,720
Tapestry Inc.	66,161	3,090	Altria Group Inc.	433,994	24,646	Andeavor	31,963	4,193
Genuine Parts Co.	33,618	3,086	Costco Wholesale Corp.	100,572	21,018	Marathon Oil Corp.	196,183	4,092
Tiffany & Co.	23,307	3,067	Mondelez International Inc. Class A	338,242	13,868	Apache Corp.	87,389	4,085
* Ulta Beauty Inc.	13,133	3,066	Colgate-Palmolive Co.	199,972	12,960	Hess Corp.	59,843	4,003
Darden Restaurants Inc.	28,249	3,024	Walgreens Boots Alliance Inc.	195,535	11,735	Noble Energy Inc.	111,272	3,926
* CarMax Inc.	40,687	2,965	Kraft Heinz Co.	137,020	8,608	National Oilwell Varco Inc.	87,322	3,790
Newell Brands Inc.	111,335	2,871	Constellation Brands Inc. Class A	38,572	8,442	EQT Corp.	57,631	3,180
Kohl's Corp.	38,451	2,803	Kimberly-Clark Corp.	80,112	8,439	Baker Hughes a GE Co.	95,885	3,167
PVH Corp.	17,605	2,636	Sysco Corp.	109,908	7,506	TechnipFMC plc	99,410	3,155
Macy's Inc.	70,023	2,621				HollyFrontier Corp.	40,600	2,778
* Chipotle Mexican Grill Inc. Class A	5,676	2,448				Cabot Oil & Gas Corp.	103,024	2,452
Viacom Inc. Class B	80,526	2,429				Cimarex Energy Co.	21,806	2,219
						Helmerich & Payne Inc.	25,128	1,602
						* Newfield Exploration Co.	45,938	1,390
								334,685

Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Financials (13.8%)								
JPMorgan Chase & Co.	780,809	81,360	Franklin Resources Inc.	72,824	2,334	* Mettler-Toledo		
* Berkshire Hathaway Inc. Class B	409,957	76,519	Cincinnati Financial Corp.	34,215	2,288	International Inc.	5,868	3,395
Bank of America Corp.	2,162,490	60,961	Everest Re Group Ltd.	9,346	2,154	ResMed Inc.	32,727	3,390
Wells Fargo & Co.	1,005,750	55,759	Torchmark Corp.	24,334	1,981	AmerisourceBergen Corp. Class A	37,306	3,181
Citigroup Inc.	584,765	39,132	Unum Group	50,723	1,876	* Incyte Corp.	40,406	2,707
US Bancorp	357,782	17,896	Affiliated Managers Group Inc.	12,408	1,845	Cooper Cos. Inc.	11,257	2,651
Goldman Sachs Group Inc.	80,606	17,779	Jefferies Financial Group Inc.	69,214	1,574	* Henry Schein Inc.	35,200	2,557
American Express Co.	163,742	16,047	People's United Financial Inc.	80,225	1,451	* Hologic Inc.	62,815	2,497
Morgan Stanley	312,616	14,818	Assurant Inc.	12,087	1,251	* Varian Medical Systems Inc.	20,972	2,385
PNC Financial Services Group Inc.	107,696	14,550	* Brighthouse Financial Inc.	27,460	1,100	Dentsply Sirona Inc.	51,904	2,272
BlackRock Inc.	28,238	14,092			731,298	Universal Health Services Inc. Class B	20,052	2,235
Charles Schwab Corp.	275,361	14,071	Health Care (14.0%)			* DaVita Inc.	31,904	2,215
Chubb Ltd.	106,832	13,570	Johnson & Johnson	615,154	74,643	Perrigo Co. plc	29,426	2,145
CME Group Inc.	78,135	12,808	UnitedHealth Group Inc.	220,386	54,070	PerkinElmer Inc.	25,256	1,850
Bank of New York Mellon Corp.	231,768	12,499	Pfizer Inc.	1,341,564	48,672	* Nektar Therapeutics Class A	36,900	1,802
S&P Global Inc.	57,634	11,751	Merck & Co. Inc.	617,042	37,454	* Envision Healthcare Corp.	27,993	1,232
American International Group Inc.	205,860	10,915	AbbVie Inc.	347,527	32,198			743,584
Capital One Financial Corp.	111,577	10,254	Amgen Inc.	152,746	28,195	Industrials (9.5%)		
MetLife Inc.	233,168	10,166	Medtronic plc	310,547	26,586	Boeing Co.	125,575	42,132
Intercontinental Exchange Inc.	132,825	9,769	Abbott Laboratories	402,092	24,524	General Electric Co.	1,991,877	27,109
Marsh & McLennan Cos. Inc.	116,371	9,539	Gilead Sciences Inc.	298,144	21,121	3M Co.	136,096	26,773
BB&T Corp.	178,787	9,018	Bristol-Myers Squibb Co.	374,842	20,744	Union Pacific Corp.	177,866	25,200
Prudential Financial Inc.	96,365	9,011	Thermo Fisher Scientific Inc.	92,239	19,106	Honeywell International Inc.	171,263	24,670
Progressive Corp.	133,579	7,901	Eli Lilly & Co.	219,109	18,697	United Technologies Corp.	170,588	21,329
State Street Corp.	83,800	7,801	CVS Health Corp.	233,161	15,004	Caterpillar Inc.	137,133	18,605
Aon plc	56,086	7,693	* Becton Dickinson and Co.	61,265	14,677	Lockheed Martin Corp.	56,966	16,829
Aflac Inc.	177,628	7,642	Biogen Inc.	48,388	14,044	United Parcel Service Inc. Class B	158,121	16,797
Travelers Cos. Inc.	61,951	7,579	Anthem Inc.	58,558	13,939	CSX Corp.	200,756	12,804
Allstate Corp.	80,584	7,355	Danaher Corp.	140,992	13,913	FedEx Corp.	56,325	12,789
SunTrust Banks Inc.	106,531	7,033	Aetna Inc.	74,969	13,757	Raytheon Co.	65,910	12,733
Moody's Corp.	38,340	6,539	Allergan plc	77,778	12,967	Northrop Grumman Corp.	39,946	12,291
T. Rowe Price Group Inc.	55,539	6,448	* Celgene Corp.	162,080	12,872	General Dynamics Corp.	63,352	11,809
* Berkshire Hathaway Inc. Class A	21	5,923	Stryker Corp.	73,685	12,442	Deere & Co.	74,340	10,393
M&T Bank Corp.	33,259	5,659	* Intuitive Surgical Inc.	25,987	12,434	Emerson Electric Co.	144,410	9,985
Discover Financial Services	79,943	5,629	* Boston Scientific Corp.	316,462	10,348	Norfolk Southern Corp.	64,761	9,770
Synchrony Financial	163,026	5,442	* Express Scripts Holding Co.	128,810	9,945	Illinois Tool Works Inc.	69,900	9,684
Northern Trust Corp.	48,547	4,995	* Vertex Pharmaceuticals Inc.	58,485	9,940	Eaton Corp. plc	100,277	7,495
KeyCorp	243,982	4,767	Cigna Corp.	55,809	9,485	Waste Management Inc.	91,235	7,421
Ameriprise Financial Inc.	33,214	4,646	Zoetis Inc.	110,979	9,454	Delta Air Lines Inc.	147,932	7,329
Willis Towers Watson plc	30,330	4,598	* Illumina Inc.	33,732	9,421	Johnson Controls International plc	212,432	7,106
Regions Financial Corp.	257,712	4,582	Humana Inc.	31,614	9,409	Roper Technologies Inc.	23,647	6,524
Fifth Third Bancorp	157,314	4,515	Baxter International Inc.	112,993	8,343	Southwest Airlines Co.	122,289	6,222
Citizens Financial Group Inc.	111,367	4,332	* Edwards Lifesciences Corp.	48,322	7,034	Fortive Corp.	70,446	5,432
Hartford Financial Services Group Inc.	82,334	4,210	HCA Healthcare Inc.	64,048	6,571	Ingersoll-Rand plc	56,879	5,104
Huntington Bancshares Inc.	253,060	3,735	* Alexion Pharmaceuticals Inc.	51,003	6,332	Rockwell Collins Inc.	37,761	5,086
* E*TRADE Financial Corp.	60,653	3,710	McKesson Corp.	46,374	6,186	PACCAR Inc.	80,830	5,008
Comerica Inc.	39,399	3,582	* Regeneron Pharmaceuticals Inc.	17,783	6,135	Rockwell Automation Inc.	28,756	4,780
* SVB Financial Group	12,200	3,523	* Centene Corp.	47,103	5,804	Parker-Hannifin Corp.	30,412	4,740
MSCI Inc. Class A	20,400	3,375	* Align Technology Inc.	16,600	5,680	Cummins Inc.	35,584	4,733
XL Group Ltd.	59,043	3,303	Zimmer Biomet Holdings Inc.	46,515	5,184	Stanley Black & Decker Inc.	35,427	4,705
Principal Financial Group Inc.	61,164	3,239	Agilent Technologies Inc.	73,431	4,541	* IHS Markit Ltd.	81,907	4,226
Lincoln National Corp.	49,950	3,109	* IDEXX Laboratories Inc.	19,870	4,331	Harris Corp.	27,259	3,940
Loews Corp.	59,827	2,888	* Cerner Corp.	72,276	4,321	Textron Inc.	58,890	3,881
Arthur J Gallagher & Co.	41,874	2,734	* Mylan NV	117,932	4,262	TransDigm Group Inc.	11,228	3,875
Cboe Global Markets Inc.	25,697	2,674	* Laboratory Corp. of America Holdings	23,478	4,215	* Verisk Analytics Inc. Class A	35,572	3,829
Raymond James Financial Inc.	29,892	2,671	* ABIOMED Inc.	9,700	3,968	AMETEK Inc.	53,004	3,825
Invesco Ltd.	93,754	2,490	* IQVIA Holdings Inc.	37,157	3,709	* United Continental Holdings Inc.	54,127	3,774
Nasdaq Inc.	26,917	2,457	* Cardinal Health Inc.	71,469	3,490	Cintas Corp.	19,850	3,674
Zions Bancorporation	45,195	2,381	* Waters Corp.	18,007	3,486	American Airlines Group Inc.	95,708	3,633
			Quest Diagnostics Inc.	31,080	3,417	WW Grainger Inc.	11,664	3,597

Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Republic Services Inc. Class A	51,202	3,500	* eBay Inc.	211,971	7,686	Packaging Corp. of America	21,575	2,412
L3 Technologies Inc.	17,981	3,458	TE Connectivity Ltd.	80,279	7,230	Albemarle Corp.	25,440	2,400
Equifax Inc.	27,520	3,443	* Fiserv Inc.	93,890	6,956	CF Industries Holdings Inc.	53,765	2,387
Fastenal Co.	65,868	3,170	* Autodesk Inc.	50,271	6,590	Mosaic Co.	80,643	2,262
Expeditors International of Washington Inc.	40,090	2,931	* Twitter Inc.	150,200	6,559	International Flavors & Fragrances Inc.	18,142	2,249
* United Rentals Inc.	19,258	2,843	Lam Research Corp.	37,625	6,504	Avery Dennison Corp.	20,128	2,055
Xylem Inc.	41,448	2,793	Amphenol Corp. Class A	69,200	6,031	Sealed Air Corp.	36,796	1,562
Masco Corp.	71,555	2,678	* Red Hat Inc.	40,768	5,478			137,582
CH Robinson Worldwide Inc.	31,882	2,667	Western Digital Corp.	68,698	5,318			
* Copart Inc.	46,300	2,619	DXC Technology Co.	65,362	5,269			
Dover Corp.	35,454	2,595	Corning Inc.	190,588	5,243			
Kansas City Southern	23,557	2,496	Hewlett Packard Enterprise Co.	350,440	5,120	Real Estate (2.9%)		
Nielsen Holdings plc	77,045	2,383	Paychex Inc.	73,499	5,024	American Tower Corp.	101,340	14,610
JB Hunt Transport Services Inc.	19,580	2,380	Microchip Technology Inc.	53,907	4,903	Simon Property Group Inc.	70,998	12,083
Huntington Ingalls Industries Inc.	10,200	2,211	NetApp Inc.	61,473	4,828	Crown Castle International Corp.	95,129	10,257
Snap-on Inc.	13,036	2,095	* Motorola Solutions Inc.	37,222	4,332	Prologis Inc.	122,321	8,035
AO Smith Corp.	33,164	1,962	FleetCor Technologies Inc.	20,500	4,318	Equinix Inc.	18,274	7,856
Robert Half International Inc.	28,239	1,838	Global Payments Inc.	36,605	4,081	Public Storage	34,369	7,797
Fortune Brands Home & Security Inc.	33,633	1,806	Skyworks Solutions Inc.	41,787	4,039	Weyerhaeuser Co.	173,725	6,334
Jacobs Engineering Group Inc.	27,672	1,757	Xilinx Inc.	58,297	3,804	AvalonBay Communities Inc.	31,704	5,450
Alaska Air Group Inc.	28,314	1,710	Seagate Technology plc	65,950	3,724	Equity Residential	84,604	5,388
Alliegon plc	21,893	1,694	KLA-Tencor Corp.	35,693	3,660	Welltower Inc.	85,331	5,349
Arconic Inc.	97,259	1,654	* ANSYS Inc.	19,248	3,353	Digital Realty Trust Inc.	47,241	5,271
Fluor Corp.	32,376	1,579	Total System Services Inc.	37,948	3,207	Ventas Inc.	81,597	4,647
Pentair plc	37,074	1,560	Broadridge Financial Solutions Inc.	27,000	3,108	Boston Properties Inc.	35,487	4,451
* Stericycle Inc.	19,412	1,267	* Take-Two Interactive Software Inc.	26,200	3,101	* SBA Communications Corp. Class A	26,341	4,349
Flowserve Corp.	30,244	1,222	* Citrix Systems Inc.	29,496	3,092	Essex Property Trust Inc.	15,157	3,623
* Quanta Services Inc.	34,194	1,142	* VeriSign Inc.	21,950	3,016	Host Hotels & Resorts Inc.	170,618	3,595
		505,094	Symantec Corp.	142,152	2,935	Realty Income Corp.	65,057	3,499
Information Technology (25.8%)			* Synopsys Inc.	34,122	2,920	* CBRE Group Inc. Class A	69,116	3,300
Apple Inc.	1,127,184	208,653	* Akamai Technologies Inc.	39,252	2,874	Alexandria Real Estate Equities Inc.	23,526	2,968
Microsoft Corp.	1,762,061	173,757	* Advanced Micro Devices Inc.	189,281	2,837	GGP Inc.	145,182	2,966
* Facebook Inc. Class A	550,056	106,887	* Cadence Design Systems Inc.	64,661	2,801	Vornado Realty Trust	39,694	2,934
* Alphabet Inc. Class C	69,691	77,751	* Gartner Inc.	20,997	2,791	Extra Space Storage Inc.	29,082	2,903
* Alphabet Inc. Class A	68,479	77,326	Alliance Data Systems Corp.	11,005	2,566	HCP Inc.	107,731	2,782
Visa Inc. Class A	409,615	54,254	CA Inc.	71,847	2,561	Mid-America Apartment Communities Inc.	26,247	2,642
Intel Corp.	1,068,739	53,127	* F5 Networks Inc.	14,006	2,415	Duke Realty Corp.	81,408	2,363
Cisco Systems Inc.	1,078,546	46,410	* Qorvo Inc.	28,849	2,313	UDR Inc.	61,578	2,312
Mastercard Inc. Class A	210,250	41,318	Juniper Networks Inc.	79,671	2,185	Iron Mountain Inc.	64,269	2,250
NVIDIA Corp.	139,206	32,978	Western Union Co.	104,985	2,134	Federal Realty Investment Trust	16,798	2,126
Oracle Corp.	683,494	30,115	* IPG Photonics Corp.	8,600	1,897	Regency Centers Corp.	33,581	2,085
* Adobe Systems Inc.	112,965	27,542	FLIR Systems Inc.	31,563	1,640	SL Green Realty Corp.	20,154	2,026
International Business Machines Corp.	195,778	27,350	Xerox Corp.	48,786	1,171	Kimco Realty Corp.	97,522	1,657
Texas Instruments Inc.	224,469	24,748			1,370,948	Apartment Investment & Management Co.	35,833	1,516
Accenture plc Class A	147,464	24,124	Materials (2.6%)			Macerich Co.	24,877	1,414
Broadcom Inc.	92,014	22,326	DowDuPont Inc.	532,206	35,083			150,838
* salesforce.com Inc.	161,820	22,072	Praxair Inc.	65,834	10,412	Telecommunication Services (2.0%)		
* PayPal Holdings Inc.	255,974	21,315	Excolab Inc.	59,575	8,360	AT&T Inc.	1,665,433	53,477
QUALCOMM Inc.	339,976	19,079	LyondellBasell Industries NV Class A	73,696	8,095	Verizon Communications Inc.	947,528	47,670
* Micron Technology Inc.	265,998	13,949	Air Products & Chemicals Inc.	50,335	7,839	CenturyLink Inc.	225,597	4,205
Automatic Data Processing Inc.	101,033	13,553	Sherwin-Williams Co.	18,893	7,700			105,352
Activision Blizzard Inc.	174,610	13,326	PPG Industries Inc.	57,175	5,931	Utilities (2.9%)		
Intuit Inc.	55,859	11,412	Freeport-McMoRan Inc.	309,290	5,338	NextEra Energy Inc.	108,089	18,054
Applied Materials Inc.	231,204	10,679	International Paper Co.	95,106	4,953	Duke Energy Corp.	160,736	12,711
Cognizant Technology Solutions Corp. Class A	134,344	10,612	Newmont Mining Corp.	122,581	4,622	Southern Co.	231,992	10,744
* Electronic Arts Inc.	70,360	9,922	Nucor Corp.	72,860	4,554	Dominion Energy Inc.	149,710	10,207
HP Inc.	376,340	8,539	Vulcan Materials Co.	30,377	3,920	Exelon Corp.	221,423	9,433
Analog Devices Inc.	85,012	8,154	WestRock Co.	58,940	3,361	American Electric Power Co. Inc.	112,963	7,823
Fidelity National Information Services Inc.	75,974	8,056	Eastman Chemical Co.	32,806	3,279	Sempra Energy	60,611	7,038
			Martin Marietta Materials Inc.	14,434	3,224	Public Service Enterprise Group Inc.	115,987	6,280
			Ball Corp.	80,044	2,846	Consolidated Edison Inc.	71,267	5,557
			FMC Corp.	30,694	2,738			

Equity Index Portfolio

	Shares	Market Value* (\$000)
Xcel Energy Inc.	116,940	5,342
PG&E Corp.	118,525	5,044
Edison International	74,913	4,740
WEC Energy Group Inc.	72,502	4,687
PPL Corp.	160,469	4,581
DTE Energy Co.	41,748	4,326
Eversource Energy	72,534	4,251
FirstEnergy Corp.	102,702	3,688
* Energy Inc.	62,200	3,493
American Water Works Co. Inc.	40,685	3,474
Ameren Corp.	55,711	3,390
Entergy Corp.	41,393	3,344
CMS Energy Corp.	64,960	3,071
CenterPoint Energy Inc.	98,489	2,729
Alliant Energy Corp.	52,953	2,241
NRG Energy Inc.	68,674	2,108
Pinnacle West Capital Corp.	25,657	2,067
AES Corp.	152,370	2,043
NiSource Inc.	76,951	2,022
SCANA Corp.	32,651	1,258
		155,746
Total Common Stocks (Cost \$3,358,892)		5,280,251
Temporary Cash Investments (0.4%)¹		
Money Market Fund (0.4%)		
^{2,3} Vanguard Market Liquidity Fund, 2.122%	197,238	19,726

	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (0.0%)		
⁴ United States Treasury Bill, 1.918%, 10/4/18	300	299
⁴ United States Treasury Bill, 2.035%–2.078%, 11/15/18	1,400	1,389
		1,688
Total Temporary Cash Investments (Cost \$21,414)		21,414
Total Investments (99.9%) (Cost \$3,380,306)		5,301,665
		Amount (\$000)
Other Assets and Liabilities (0.1%)		
Other Assets		
Investment in Vanguard		280
Receivables for Investment Securities Sold		4,201
Receivables for Accrued Income		4,398
Receivables for Capital Shares Issued		5,870
Variation Margin Receivable—Futures Contracts		7
Total Other Assets		14,756
Liabilities		
Payables for Investment Securities Purchased		(2,662)
Collateral for Securities on Loan		(148)
Payables for Capital Shares Redeemed		(2,559)
Payables to Vanguard		(2,571)
Total Liabilities		(7,940)
Net Assets (100%)		
Applicable to 129,955,669 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)		5,308,481
Net Asset Value Per Share		\$40.85

At June 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	3,285,040
Undistributed Net Investment Income	42,016
Accumulated Net Realized Gains	60,499
Unrealized Appreciation (Depreciation)	
Investment Securities	1,921,359
Futures Contracts	(433)
Net Assets	5,308,481

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^A Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$145,000.

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 -0.01%, 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 \$148,000 of collateral received for securities on loan.

⁴ Securities with a value of \$1,192,000 have been segregated as initial margin for open futures contracts.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini S&P 500 Index	September 2018	204	27,760	(433)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018 (\$000)
Investment Income	
Income	
Dividends	49,424
Interest ¹	160
Securities Lending—Net	2
Total Income	49,586
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	643
Management and Administrative	2,784
Marketing and Distribution	370
Custodian Fees	29
Shareholders' Reports	8
Trustees' Fees and Expenses	2
Total Expenses	3,836
Net Investment Income	45,750
Realized Net Gain (Loss)	
Investment Securities Sold ¹	59,318
Futures Contracts	1,363
Realized Net Gain (Loss)	60,681
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	27,643
Futures Contracts	(600)
Change in Unrealized Appreciation (Depreciation)	27,043
Net Increase (Decrease) in Net Assets Resulting from Operations	133,474

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$149,000, (\$5,000), and \$2,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018 (\$000)	Year Ended December 31, 2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	45,750	87,861
Realized Net Gain (Loss)	60,681	85,733
Change in Unrealized Appreciation (Depreciation)	27,043	757,762
Net Increase (Decrease) in Net Assets Resulting from Operations	133,474	931,356
Distributions		
Net Investment Income	(88,315)	(85,191)
Realized Capital Gain ¹	(85,966)	(145,507)
Total Distributions	(174,281)	(230,698)
Capital Share Transactions		
Issued	287,113	429,437
Issued in Lieu of Cash Distributions	174,281	230,698
Redeemed	(289,884)	(512,346)
Net Increase (Decrease) from Capital Share Transactions	171,510	147,789
Total Increase (Decrease)	130,703	848,447
Net Assets		
Beginning of Period	5,177,778	4,329,331
End of Period²	5,308,481	5,177,778

¹ Includes fiscal 2018 and 2017 short-term gain distributions totaling \$2,110,000 and \$3,181,000, 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 \$42,016,000 and \$84,581,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$41.17	\$35.63	\$33.25	\$34.44	\$31.50	\$24.93
Investment Operations						
Net Investment Income	.357 ¹	.699 ¹	.704	.759 ²	.587	.545
Net Realized and Unrealized Gain (Loss) on Investments	.711	6.734	3.055	(.338)	3.522	7.235
Total from Investment Operations	1.068	7.433	3.759	.421	4.109	7.780
Distributions						
Dividends from Net Investment Income	(.703)	(.699)	(.759)	(.569)	(.555)	(.505)
Distributions from Realized Capital Gains	(.685)	(1.194)	(.620)	(1.042)	(.614)	(.705)
Total Distributions	(1.388)	(1.893)	(1.379)	(1.611)	(1.169)	(1.210)
Net Asset Value, End of Period	\$40.85	\$41.17	\$35.63	\$33.25	\$34.44	\$31.50
Total Return	2.57%	21.66%	11.81%	1.27%	13.51%	32.18%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$5,308	\$5,178	\$4,329	\$3,985	\$3,784	\$3,199
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.15%	0.15%	0.16%	0.16%
Ratio of Net Investment Income to Average Net Assets	1.75%	1.85%	2.08%	2.31% ²	1.88%	1.96%
Portfolio Turnover Rate	5%	5%	7%	4%	7%	8%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

¹ Calculated based on average shares outstanding.

² 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.

Notes to Financial Statements

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, 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 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 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 futures gains (losses).

During the six months ended June 30, 2018, 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 the notional amounts 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, 2014–2017), and for the period ended June 30, 2018, 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 before the opening of the market 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, 2018, 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, 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. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$280,000, representing 0.01% of the portfolio’s net assets and 0.11% 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). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio’s investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	5,280,251	—	—
Temporary Cash Investments	19,726	1,688	—
Futures Contracts—Assets ¹	7	—	—
Total	5,299,984	1,688	—

¹ Represents variation margin on the last day of the reporting period.

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, 2018, the cost of investment securities for tax purposes was \$3,380,306,000. Net unrealized appreciation of investment securities for tax purposes was \$1,921,359,000, consisting of unrealized gains of \$2,116,854,000 on securities that had risen in value since their purchase and \$195,495,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2018, the portfolio purchased \$173,867,000 of investment securities and sold \$125,468,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	6,964	11,409
Issued in Lieu of Cash Distributions	4,242	6,442
Redeemed	(7,012)	(13,593)
Net Increase (Decrease) in Shares Outstanding	4,194	4,258

At June 30, 2018, two 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 25% or more of the portfolio's net assets, with a combined ownership of 63%. 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.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2018, 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, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
Equity Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,025.75	\$0.75
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 four 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 in the Performance Summary section of this report.

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 in the About Your Portfolio's Expenses section as well as in the Financial Statements section.

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 Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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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 208 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) of the Children's Hospital of Philadelphia.

Independent Trustees

Emerson U. Fullwood

Born in 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). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. 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 University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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 in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its 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. 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 in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) 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 in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 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.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Peter F. Volanakis

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). 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 in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard and global head of Fund Administration at Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG LLP (audit, tax, and advisory services).

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

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

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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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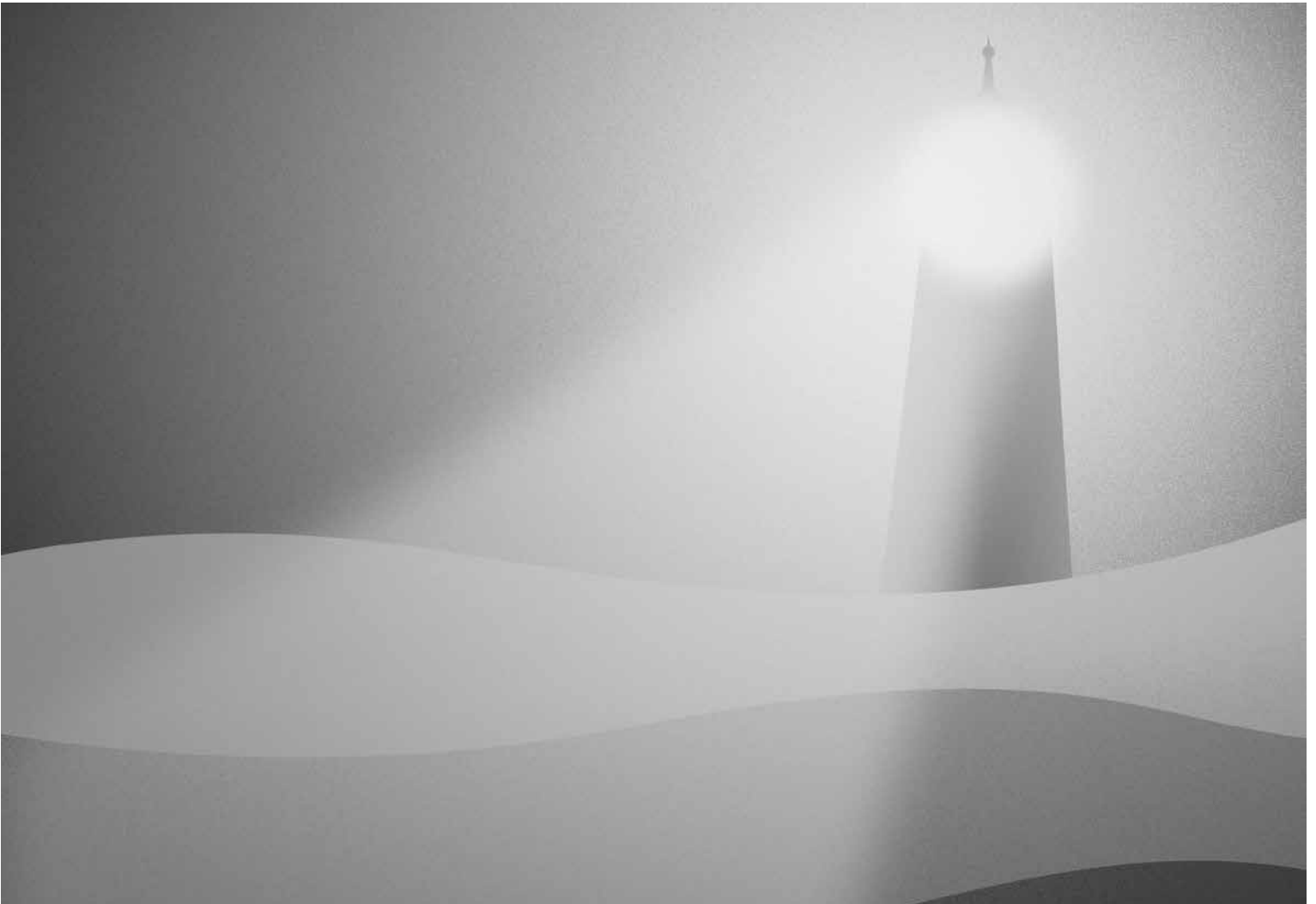


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Semiannual Report | June 30, 2018

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.

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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: Nautical images have been part of Vanguard’s rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long, sweeping tail on the last name.

Mortimer J. Buckley
President and Chief Executive Officer
July 13, 2018

Market Perspective

U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

¹ Annualized.

Balanced Portfolio

Advisor's Report

The Balanced Portfolio returned –1.19% for the six months ended June 30, 2018. The portfolio underperformed the 0.82% return of its blended benchmark (a mix of 65% large-capitalization stocks and 35% high-quality corporate bonds) and the 0.22% 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 and abroad posted positive results during the six-month period. The S&P 500 Index returned 2.65% and the MSCI World Index returned a more muted 0.76%.

U.S. equities rose during the period, driven by exceptionally robust corporate earnings and economic conditions. Companies were largely upbeat about

U.S. growth prospects but cited rising wages, commodity prices, and logistics costs as potential earnings headwinds. Despite the underlying strength in the U.S. economy, there were concerns about the sustainability of growth in light of the broader macroeconomic risks, including rising interest rates; signs of slowing global growth, especially in Europe; ongoing trade tensions; and euro zone political disruptions.

As widely anticipated, the U.S. Federal Reserve twice raised its benchmark interest rate by 25 basis points—to a range between 1.75% and 2%—and it signaled the potential for two additional increases in 2018. (A basis point is one one-hundredth of a percentage point.) The Fed lifted its economic growth forecast for 2018 to 2.8%; it also lowered its expectation for unemployment to 3.6%, from 3.8% in March.

In the United States, large-capitalization growth stocks significantly outperformed large-capitalization value stocks, as measured by the Russell 1000 Growth Index (+7.25%) and the Russell 1000 Value Index (–1.69%); this held back the fund, which tends to have a value bias compared with the broad core benchmark.

The broad fixed income markets posted negative returns for the six-month period, with the Bloomberg Barclays U.S. Aggregate Bond Index returning –1.62%. The higher-quality credit market performed even worse, with the Bloomberg Barclays U.S. Credit A or Better Bond Index returning –2.70%. The yield of the 10-year U.S. Treasury note increased during the period, beginning the year at 2.41% and ending the month of June at 2.86%.

Our successes

In the stock portfolio, security selection was best in consumer staples (Walmart as well as our avoidance of Procter & Gamble and Altria Group), materials (BHP Billiton and avoidance of DowDuPont), industrials (underweight General Electric and avoidance of 3M), and energy (ConocoPhillips, Hess, and Total SA). Our overweight to the energy sector also aided relative results during the period.

The fixed income portfolio's outperformance was primarily driven by successful duration and yield curve positioning during the period. Credit spread duration was also a positive contributor; we were underweight in corporates compared with our all-credit benchmark, as spreads widened over the period. More specifically, long-duration corporate bonds underperformed the overall sector as yields failed to keep pace with the flattening U.S. Treasury curve. Our underweight allocation to long credit duration helped relative returns. Our out-of-benchmark positions in asset-backed securities and agency mortgage-backed securities also helped.

Total Returns

	Six Months Ended June 30, 2018
Balanced Portfolio	-1.19%
Composite Stock/Bond Index ¹	0.82
Variable Insurance Mixed-Asset Target Growth Funds Average ²	0.22

Expense Ratios³

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 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Balanced Portfolio's annualized expense ratio was 0.22%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Our shortfalls

In the stock portfolio, security selection and sector allocation detracted from overall relative results. Stock selection was weakest in consumer discretionary (our position in Comcast and not owning Amazon or Netflix), financials (positions in Prudential, Chubb, and Mitsubishi UFJ Financial Group), information technology (an underweight to Apple and not owning MasterCard or Facebook), and health care (Bristol-Myers Squibb and Cardinal Health). In terms of sector allocation, our overweight to financials and our underweights to information technology and consumer discretionary detracted most.

On the fixed income side, our bond selection within investment-grade credit, particularly within utilities and financials, detracted from relative results during the period.

Portfolio positioning

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 and 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.

In the equity portfolio, our largest overweights at the end of June were in the financial, energy, telecommunication services, utilities, and materials sectors. Our largest underweights were in information technology, consumer discretionary, real estate, and consumer staples—areas of the market in which we are often challenged to find ideas that fit with our investment style and valuation discipline.

Where possible, we are investing in companies that are capitalizing on disruptive technologies and those that have declined because of the perception of competitive challenges where we think the companies can overcome the disruptive forces. As always, sector allocations are determined by our bottom-up analysis and are largely attributable to our view on companies' valuations.

During the six-month period, we added new stock positions in Halliburton, Sysco, TJX Companies, AT&T, Walmart, and Home Depot (among others) to the portfolio. We eliminated our equity positions in Johnson & Johnson, Exxon Mobil, Twenty-First Century Fox, Goldman Sachs Group, and Wells Fargo (among others).

From the fixed income perspective, the remainder of 2018 should be one in which interest rate movements play a larger role in relative returns than credit events do. We expect that the Fed will continue to raise interest rates and that we will continue to maintain a shorter-than-benchmark duration in the U.S. market. Without a material rise in global inflation, yields on longer-maturity bonds are not expected to rise as much, resulting in flatter yield curves. Within credit, where our benchmark is concentrated, we are cautious because of the increase in supply that has been fueled largely by debt-funded corporate acquisitions, which could lower the credit quality of the companies as well as the overall corporate bond sector.

A perceived risk to our outlook is the possibility of higher trade barriers, including uncertainty surrounding the U.S.–China tariff negotiations, which could lead to slower global growth.

Such a scenario would likely reduce the need for central bank intervention and result in lower-than-expected yields.

We continue to be disciplined in our application of our investment process, which allows us to create a balanced portfolio that we believe should perform well in a variety of market environments. We remain focused on companies with growth potential trading at valuation discounts, above-average yield, and favorable supply and demand dynamics. We believe these qualities, as well as our focus on low-turnover, long-term investing, should serve the portfolio's shareholders well over time.

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, 2018

Portfolio Profile

As of June 30, 2018

Total Portfolio Characteristics

Yield ¹	2.79%
Turnover Rate ²	41 %
Expense Ratio ³	0.23%
Short-Term Reserves	3.0%

Total Portfolio Volatility Measures⁴

	Portfolio Versus Composite Index ⁵	Portfolio Versus Broad Index ⁶
R-Squared	0.95	0.93
Beta	1.00	0.65

Equity Characteristics

	Portfolio	Comparative Index ⁷	Broad Index ⁶
Number of Stocks	103	505	3,779
Median Market Cap	\$91.6B	\$104.8B	\$64.0B
Price/Earnings Ratio	16.2x	21.0x	20.7x
Price/Book Ratio	2.4x	3.2x	3.0x
Dividend Yield	2.6%	1.9%	1.8%
Return on Equity	14.5%	16.1%	15.0%
Earnings Growth Rate	7.3%	7.9%	8.3%
Foreign Holdings	12.4%	0.0%	0.0%

Fixed Income Characteristics

	Portfolio	Comparative Index ⁸	Broad Index ⁹
Number of Bonds	918	3,290	9,559
Yield to Maturity	3.6% ¹⁰	3.6%	3.3%
Average Coupon	3.5%	3.4%	3.1%
Average Effective Maturity	9.3 years	9.7 years	8.3 years
Average Duration	6.4 years	6.7 years	6.0 years

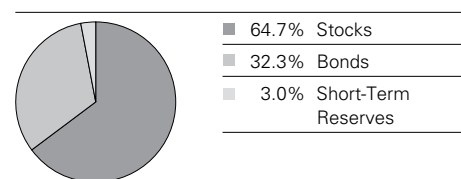
Ten Largest Stocks¹¹ (% of equity portfolio)

Microsoft Corp.	Systems Software	4.1%
JPMorgan Chase & Co.	Diversified Banks	3.4
Verizon Communications Inc.	Integrated Telecommunication Services	3.2
Bank of America Corp.	Diversified Banks	3.2
Alphabet Inc. Class A	Internet Software & Services	2.9
Chevron Corp.	Integrated Oil & Gas	2.8
Intel Corp.	Semiconductors	2.2
Comcast Corp. Class A	Cable & Satellite	2.1
Bristol-Myers Squibb Co.	Pharmaceuticals	2.0
Chubb Ltd.	Property & Casualty Insurance	2.0
Top Ten		27.9%
Top Ten as % of Total Net Assets		18.2%

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index ⁷	Broad Index ⁶
Consumer Discretionary	6.3%	12.9%	13.2%
Consumer Staples	6.3	6.9	6.2
Energy	9.5	6.3	6.1
Financials	22.7	13.8	14.3
Health Care	14.3	14.1	13.7
Industrials	9.9	9.6	10.2
Information Technology	17.0	26.0	24.7
Materials	3.7	2.6	3.1
Real Estate	2.2	2.9	3.8
Telecommunication Services	3.6	2.0	1.8
Utilities	4.5	2.9	2.9

Portfolio Asset Allocation



¹ 30-day SEC yield for the portfolio. See definition on the next page.

² Annualized.

³ The expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Balanced Portfolio's annualized expense ratio was 0.22%.

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 Quality¹
(% of fixed income portfolio)

U.S. Government	18.7%
Aaa	5.7
Aa	13.6
A	43.8
Baa	17.3
Cash	0.9

Sector Diversification²
(% of fixed income portfolio)

Asset-Backed	5.0%
Finance	26.4
Foreign	5.4
Government Mortgage-Backed	2.0
Industrial	32.1
Treasury	16.3
Utilities	7.6
Other	5.2

Equity Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

Fixed Income Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/ Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

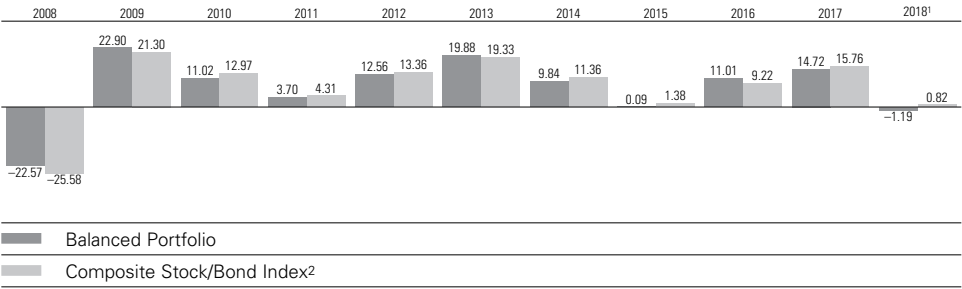
¹ Source: Moody's Investor Service.

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, 2007–June 30, 2018



Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years
Balanced Portfolio	5/23/1991	6.77%	8.80%	8.03%

1 Six months ended June 30, 2018.
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, 2018

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)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (65.0%)								
Consumer Discretionary (4.1%)			Marsh & McLennan			Information Technology (11.0%)		
Comcast Corp. Class A	1,206,120	39,573	Cos. Inc.	162,736	13,340	Microsoft Corp.	772,290	76,156
TJX Cos. Inc.	170,512	16,229	MetLife Inc.	286,332	12,484	* Alphabet Inc. Class A	46,635	52,660
Lowe's Cos. Inc.	153,894	14,708	BNP Paribas SA	152,962	9,462	Intel Corp.	804,087	39,971
Hilton Worldwide Holdings Inc.	184,159	14,578	Tokio Marine Holdings Inc.	186,770	8,738	Cisco Systems Inc.	593,350	25,532
CBS Corp. Class B	191,824	10,784	Hartford Financial Services Group Inc.	157,609	8,059	* Apple Inc.	133,975	24,800
Home Depot Inc.	51,367	10,022	UBS Group AG	468,600	7,188	* eBay Inc.	472,177	17,121
Ford Motor Co.	458,734	5,078	ING Groep NV	463,586	6,655	HP Inc.	726,361	16,481
Volkswagen AG			Zurich Insurance Group AG	16,647	4,923	Texas Instruments Inc.	143,857	15,860
Preference Shares	28,364	4,686	* BrightHouse Financial Inc.	24,001	962	Accenture plc Class A	92,825	15,185
		115,658			418,622	QUALCOMM Inc.	233,346	13,095
Consumer Staples (4.1%)			Health Care (9.3%)			International Business Machines Corp.	77,886	10,881
PepsiCo Inc.	231,223	25,173	Bristol-Myers Squibb Co.	663,855	36,738	Samsung Electronics Co. Ltd. GDR	5,313	5,511
Unilever NV	373,827	20,828	AstraZeneca plc ADR	941,821	33,067			313,253
Sysco Corp.	231,948	15,840	Medtronic plc	320,854	27,468	Materials (2.4%)		
Costco Wholesale Corp.	66,407	13,878	Pfizer Inc.	719,883	26,117	International Paper Co.	349,397	18,196
Philip Morris International Inc.	166,838	13,470	UnitedHealth Group Inc.	105,928	25,989	BHP Billiton plc	787,381	17,671
Diageo plc	364,862	13,108	Merck & Co. Inc.	417,691	25,354	Linde AG- Tender Line	60,198	14,302
Walmart Inc.	139,309	11,932	CVS Health Corp.	290,316	18,682	Praxair Inc.	38,557	6,098
Nestle SA	35,313	2,737	Eli Lilly & Co.	213,089	18,183	PPG Industries Inc.	54,896	5,694
		116,966	Novartis AG	232,039	17,577	LyondellBasell Industries NV Class A	43,767	4,808
Energy (6.2%)			Abbott Laboratories	236,732	14,438	Linde AG	6,852	1,427
Chevron Corp.	411,316	52,003	Cardinal Health Inc.	207,399	10,127			68,196
TOTAL SA	438,660	26,638	Koninklijke Philips NV	88,307	3,742	Real Estate (1.4%)		
ConocoPhillips	347,983	24,226	* Regeneron Pharmaceuticals Inc.	9,417	3,249	American Tower Corp.	147,044	21,199
Suncor Energy Inc.	547,718	22,289	HCA Healthcare Inc.	24,006	2,463	Simon Property Group Inc.	112,541	19,154
Halliburton Co.	349,662	15,756			263,194			40,353
BP plc	2,016,242	15,341	Industrials (6.5%)			Telecommunication Services (2.3%)		
Hess Corp.	179,625	12,015	United Parcel Service Inc. Class B	215,810	22,926	Verizon Communications Inc.	1,175,425	59,135
Canadian Natural Resources Ltd.	206,756	7,458	Union Pacific Corp.	126,128	17,870	AT&T Inc.	196,689	6,316
		175,726	BAE Systems plc	1,661,430	14,134			65,451
Financials (14.8%)			United Technologies Corp.	105,649	13,209	Utilities (2.9%)		
JPMorgan Chase & Co.	593,977	61,892	Caterpillar Inc.	97,168	13,183	NextEra Energy Inc.	194,840	32,544
Bank of America Corp.	2,084,527	58,763	Schneider Electric SE	153,777	12,789	Dominion Energy Inc.	343,970	23,452
Chubb Ltd.	284,382	36,122	Honeywell International Inc.	86,937	12,523	Exelon Corp.	431,542	18,384
Prudential Financial Inc.	366,029	34,227	Lockheed Martin Corp.	41,329	12,210	Iberdrola SA	1,032,990	7,966
PNC Financial Services Group Inc.	235,833	31,861	Johnson Controls International plc	334,467	11,188			82,346
Northern Trust Corp.	208,329	21,435	Canadian Pacific Railway Ltd.	60,476	11,068	Total Common Stocks (Cost \$1,410,141)		
Intercontinental Exchange Inc.	277,877	20,438	Assa Abloy AB Class B	384,576	8,158			1,842,792
American International Group Inc.	356,408	18,897	Eaton Corp. plc	99,660	7,449			
Citigroup Inc.	264,858	17,724	Vinci SA	75,954	7,291			
BlackRock Inc.	34,513	17,223	ABB Ltd. ADR	304,284	6,624			
Mitsubishi UFJ Financial Group Inc.	2,598,130	14,718	Safran SA	49,808	6,032			
Bank of Nova Scotia	236,127	13,511	Canadian National Railway Co. (New York Shares)	60,849	4,974			
			Canadian National Railway Co. (Toronto Shares)	17,100	1,399			
					183,027			

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (6.1%)				
U.S. Government Securities (5.3%)				
United States Treasury Note/Bond	1.875%	12/31/19	1,900	1,883
United States Treasury Note/Bond	1.375%	2/15/20	1,300	1,277
United States Treasury Note/Bond	1.375%	2/29/20	2,130	2,091
United States Treasury Note/Bond	2.250%	2/29/20	37,000	36,844
United States Treasury Note/Bond	2.250%	3/31/20	6,000	5,973
United States Treasury Note/Bond	1.625%	6/30/20	2,840	2,790
United States Treasury Note/Bond	1.500%	8/15/20	4,250	4,158
United States Treasury Note/Bond	1.250%	3/31/21	3,000	2,892
United States Treasury Note/Bond	1.375%	5/31/21	3,500	3,377
United States Treasury Note/Bond	2.125%	12/31/22	7,700	7,505
United States Treasury Note/Bond	2.500%	3/31/23	20,115	19,911
United States Treasury Note/Bond	2.000%	2/15/25	950	903
United States Treasury Note/Bond	2.000%	8/15/25	1,645	1,558
United States Treasury Note/Bond	2.250%	11/15/27	12,365	11,747
United States Treasury Note/Bond	2.750%	2/15/28	11,360	11,255
United States Treasury Note/Bond	2.875%	5/15/43	6,738	6,609
United States Treasury Note/Bond	3.375%	5/15/44	4,410	4,719
United States Treasury Note/Bond	3.125%	8/15/44	1,740	1,783
United States Treasury Note/Bond	2.500%	2/15/45	2,610	2,376
United States Treasury Note/Bond	2.875%	8/15/45	1,910	1,869
United States Treasury Note/Bond	2.500%	5/15/46	595	540
United States Treasury Note/Bond	2.250%	8/15/46	3,068	2,638
United States Treasury Note/Bond	2.875%	11/15/46	930	910
United States Treasury Note/Bond	3.000%	2/15/47	4,890	4,901
United States Treasury Note/Bond	3.000%	5/15/47	340	341
United States Treasury Note/Bond	2.750%	8/15/47	4,130	3,936
United States Treasury Note/Bond	3.000%	2/15/48	180	180
United States Treasury Note/Bond	3.125%	5/15/48	10	10
United States Treasury Strip Principal	0.000%	5/15/47	4,910	2,077
United States Treasury Strip Principal	0.000%	8/15/47	6,835	2,867
			149,920	
Conventional Mortgage-Backed Securities (0.7%)				
^{1,2,3} Fannie Mae Pool	3.500%	12/1/47–7/1/48	18,600	18,516
^{1,2} Freddie Mac Gold Pool	4.000%	9/1/41	6	6
¹ Ginnie Mae I Pool	7.000%	11/15/31–11/15/33	88	99
¹ Ginnie Mae I Pool	8.000%	9/15/30	50	52
			18,673	
Nonconventional Mortgage-Backed Securities (0.1%)				
^{1,2} Fannie Mae REMICS	3.500%	4/25/31	245	247
^{1,2} Fannie Mae REMICS	4.000%	9/25/29–5/25/31	470	482
^{1,2} Freddie Mac REMICS	3.500%	3/15/31	145	147
^{1,2} Freddie Mac REMICS	4.000%	12/15/30–4/15/31	2,654	2,740
			3,616	
Total U.S. Government and Agency Obligations (Cost \$173,504)				172,209
Asset-Backed/Commercial Mortgage-Backed Securities (1.5%)				
¹ Ally Auto Receivables Trust 2018-1	1.750%	2/15/19	358	358
^{1,4} American Express Credit Account Master Trust	2.950%	3/15/23	1,400	1,392
⁴ American Tower Trust I	3.070%	3/15/23	1,100	1,080
¹ Americredit Automobile Receivables Trust 2018-1	2.450%	5/20/19	1,051	1,051
^{1,4,5} Apidos CLO XVII	3.663%	4/17/26	1,295	1,296
^{1,4,5} Ares XXIX CLO Ltd.	3.543%	4/17/26	1,195	1,195
^{1,4,5} Atlas Senior Loan Fund X Ltd.	3.438%	1/15/31	250	249
^{1,4,5} Avery Point IV CLO Ltd.	3.460%	4/25/26	1,190	1,190
⁴ Bank of Montreal	2.500%	1/11/22	1,700	1,661
^{1,4,5} BlueMountain CLO 2014-1 Ltd.	3.619%	4/30/26	669	669
¹ BMW Vehicle Owner Trust	1.650%	1/25/19	57	57
^{1,4} Capital Auto Receivables Asset Trust 2018-1	2.100%	3/20/19	349	349

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
^{1,4,6} CARDS II Trust	2.443%	4/18/22	495	495
^{1,4,6} CARDS II Trust 2016-1A	2.773%	7/15/21	365	365
¹ CarMax Auto Owner Trust	1.700%	2/15/19	326	326
¹ CarMax Auto Owner Trust	2.300%	5/15/19	425	425
^{1,4,5} Cent CLO 20 Ltd.	3.460%	1/25/26	1,248	1,248
^{1,4,5} Cent CLO 21 Ltd.	3.576%	7/27/26	415	415
^{1,4,5} Cent CLO 22 Ltd.	3.773%	11/7/26	930	929
^{1,4} Chesapeake Funding II LLC 2018-1	3.040%	4/15/30	1,240	1,235
^{1,4} Chesapeake Funding II LLC 2018-2A	1.990%	5/15/29	236	234
¹ CNH Equipment Trust 2018-A	2.450%	6/14/19	1,096	1,096
¹ COMM 2012-CCRE2 Mortgage Trust	3.147%	8/15/45	480	477
^{1,4} Daimler Trucks Retail Trust 2018-1	2.200%	4/15/19	294	294
⁴ DNB Boligkredit AS	2.500%	3/28/22	1,315	1,282
^{1,4} Enterprise Fleet Financing LLC	2.150%	3/20/19	543	543
^{1,4} Enterprise Fleet Financing LLC Series 2017-1	2.130%	7/20/22	157	156
^{1,4} Enterprise Fleet Financing LLC Series 2018-1	2.870%	10/20/23	840	837
¹ Ford Credit Auto Lease Trust 2018-A	2.300%	5/15/19	572	572
¹ Ford Credit Auto Owner Trust	2.356%	5/15/19	487	487
^{1,4} GM Financial Consumer Automobile 2017-1	1.510%	3/16/20	261	260
¹ GM Financial Consumer Automobile Receivables Trust	2.300%	4/16/19	214	214
¹ Honda Auto Receivables 2018-1 Owner Trust	1.900%	3/15/19	368	368
^{1,4} Hyundai Auto Lease Securitization Trust 2018-A	1.950%	3/15/19	150	150
^{1,4} Hyundai Auto Lease Securitization Trust 2018-A	2.550%	8/17/20	575	574
¹ John Deere Owner Trust 2018	1.950%	3/15/19	522	522
^{1,7} LB-UBS Commercial Mortgage Trust 2008-C1	6.319%	4/15/41	1	1
^{1,4,5} Limerock CLO II Ltd.	3.655%	4/18/26	1,119	1,119
^{1,4,5} Madison Park Funding XII Ltd.	3.619%	7/20/26	920	920
^{1,4,5} Madison Park Funding XIII Ltd.	3.305%	4/19/30	930	929
^{1,4,6} Master Credit Card Trust II Series 2018-1A	2.578%	7/22/24	1,000	1,003
^{1,4,6} Mercedes-Benz Master Owner Trust 2016-B	2.773%	5/17/21	370	372
^{1,4} MMAF Equipment Finance LLC 2017-A	1.730%	5/18/20	137	136
^{1,4} MMAF Equipment Finance LLC 2018-A	2.400%	6/10/19	764	763
¹ Nissan Auto Receivables 2018-A Owner Trust	1.900%	3/15/19	127	127
^{1,4} OneMain Direct Auto Receivables Trust 2017-2	2.310%	12/14/21	755	749
^{1,4} OneMain Financial Issuance Trust 2016-2	4.100%	3/20/28	523	526
^{1,4} OneMain Financial Issuance Trust 2017-1	2.370%	9/14/32	273	268
¹ Santander Drive Auto Receivables Trust 2014-2	2.330%	11/15/19	1	1
¹ Santander Drive Auto Receivables Trust 2018-1	1.830%	2/15/19	47	47
¹ Santander Drive Auto Receivables Trust 2018-2	2.350%	4/15/19	581	581
^{1,4} Santander Retail Auto Lease Trust 2018-A	2.200%	3/20/19	179	179
^{1,4} Securitized Term Auto Receivables Trust 2018-1	2.400%	4/25/19	684	683
^{1,4,5} Seneca Park CLO Ltd. 2014-1	3.473%	7/17/26	680	680
^{1,4,7} SFAVE Commercial Mortgage Securities Trust 2015-5AVE	4.144%	1/5/43	700	671
^{1,4,5} Shackleton 2014-VI CLO	3.513%	7/17/26	660	660
^{1,4} Sofi Consumer Loan Program 2018-2 Trust	2.930%	4/26/27	684	684
^{1,4} Springleaf Funding Trust	3.160%	11/15/24	865	864

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
^{1,4} Springleaf Funding Trust 2015-B	3.480%	5/15/28	590	590
^{1,4,5} Symphony CLO XIV Ltd.	3.628%	7/14/26	1,125	1,123
^{1,4,5} Thacher Park CLO Ltd.	3.519%	10/20/26	505	505
⁴ Toronto-Dominion Bank	2.500%	1/18/22	2,100	2,051
¹ Utility Debt Securitization Authority Series 2013T	3.435%	12/15/25	210	212
^{1,4} Vantage Data Centers Issuer, LLC 2018-1A	4.072%	2/16/43	488	490
^{1,4,5} Voya CLO 2014-1 Ltd.	3.345%	4/18/31	515	514
^{1,4} Westlake Automobile Receivables Trust 2018-1	1.750%	2/15/19	25	25
^{1,4} Westlake Automobile Receivables Trust 2018-2	2.500%	5/15/19	466	466

Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost \$42,196) **41,990**

Corporate Bonds (21.4%)**Finance (8.5%)****Banking (7.1%)**

⁴ ABN AMRO Bank NV	2.450%	6/4/20	623	613
American Express Credit Corp.	2.125%	7/27/18	1,235	1,235
American Express Credit Corp.	2.250%	8/15/19	800	795
American Express Credit Corp.	2.700%	3/3/22	1,505	1,471
Banco Santander SA	3.125%	2/23/23	800	757
Banco Santander SA	3.848%	4/12/23	600	586
Bank of America Corp.	3.300%	1/11/23	120	118
¹ Bank of America Corp.	2.816%	7/21/23	1,645	1,589
Bank of America Corp.	3.004%	12/20/23	3,408	3,301
Bank of America Corp.	4.000%	1/22/25	875	863
¹ Bank of America Corp.	3.593%	7/21/28	1,025	973
Bank of America Corp.	3.419%	12/20/28	512	482
Bank of America Corp.	5.875%	2/7/42	260	304
Bank of America Corp.	5.000%	1/21/44	1,000	1,049
Bank of Montreal	3.100%	4/13/21	1,290	1,285
Bank of New York Mellon Corp.	2.150%	2/24/20	1,580	1,559
Bank of New York Mellon Corp.	2.200%	8/16/23	460	431
⁵ Bank of New York Mellon Corp.	3.409%	10/30/23	1,145	1,162
Bank of New York Mellon Corp.	3.000%	2/24/25	720	692
Bank of Nova Scotia	2.050%	10/30/18	1,600	1,598
Bank of Nova Scotia	2.800%	7/21/21	750	739
⁴ Banque Federative du Credit Mutuel SA	2.750%	10/15/20	1,200	1,185
Barclays Bank plc	5.140%	10/14/20	160	165
Barclays plc	3.684%	1/10/23	700	680
⁵ Barclays plc	3.710%	5/16/24	1,005	995
BB&T Corp.	3.200%	9/3/21	665	663
BB&T Corp.	2.750%	4/1/22	1,700	1,661
BB&T Corp.	3.700%	6/5/25	1,385	1,379
BNP Paribas SA	2.400%	12/12/18	1,300	1,299
⁴ BNP Paribas SA	2.950%	5/23/22	620	599
BNP Paribas SA	3.250%	3/3/23	305	301
Coupon Maturity				
⁴ BNP Paribas SA	3.800%	1/10/24	1,170	1,142
⁴ BNP Paribas SA	3.375%	1/9/25	1,775	1,677
⁴ BNP Paribas SA	3.500%	11/16/27	2,250	2,108
BPCE SA	2.500%	12/10/18	220	220
BPCE SA	2.500%	7/15/19	1,400	1,393
⁴ BPCE SA	3.000%	5/22/22	255	246
⁴ BPCE SA	5.700%	10/22/23	270	282
BPCE SA	4.000%	4/15/24	775	775
⁴ BPCE SA	5.150%	7/21/24	1,260	1,278
⁴ BPCE SA	3.500%	10/23/27	1,780	1,622
Branch Banking & Trust Co.	2.625%	1/15/22	1,250	1,220
⁵ Canadian Imperial Bank of Commerce	3.055%	6/16/22	1,565	1,575
Capital One Bank USA NA	2.150%	11/21/18	1,215	1,213
Capital One Financial Corp.	2.500%	5/12/20	500	492
Capital One Financial Corp.	4.750%	7/15/21	400	413
Capital One Financial Corp.	3.750%	4/24/24	1,305	1,277
Capital One Financial Corp.	3.200%	2/5/25	1,050	985
Capital One Financial Corp.	4.200%	10/29/25	310	300

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Citibank NA	3.050%	5/1/20	1,850	1,846
Citigroup Inc.	2.500%	9/26/18	500	500
Citigroup Inc.	2.550%	4/8/19	1,800	1,796
Citigroup Inc.	2.500%	7/29/19	965	961
Citigroup Inc.	2.400%	2/18/20	800	790
Citigroup Inc.	4.500%	1/14/22	1,975	2,028
¹ Citigroup Inc.	3.520%	10/27/28	1,975	1,854
Citigroup Inc.	6.625%	6/15/32	2,000	2,342
¹ Citigroup Inc.	3.878%	1/24/39	1,025	934
Citigroup Inc.	8.125%	7/15/39	101	142
Citigroup Inc.	4.750%	5/18/46	420	396
Commonwealth Bank of Australia	2.300%	3/12/20	655	647
Compass Bank	2.750%	9/29/19	375	373
Cooperative Rabobank UA	2.250%	1/14/19	1,350	1,347
⁴ Credit Agricole SA	2.500%	4/15/19	1,460	1,456
⁴ Credit Agricole SA	3.750%	4/24/23	1,160	1,136
⁴ Credit Agricole SA	3.250%	10/4/24	840	789
Credit Suisse AG	2.300%	5/28/19	2,845	2,830
Credit Suisse AG	3.000%	10/29/21	735	724
Credit Suisse AG	3.625%	9/9/24	250	246
⁴ Credit Suisse Group AG	3.574%	1/9/23	550	539
^{4,5} Credit Suisse Group AG	3.566%	6/12/24	690	689
^{1,4} Credit Suisse Group AG	4.207%	6/12/24	340	340
^{1,4} Credit Suisse Group AG	3.869%	1/12/29	305	286
Credit Suisse Group Funding Guernsey Ltd.	3.800%	9/15/22	1,335	1,328
Credit Suisse Group Funding Guernsey Ltd.	3.750%	3/26/25	1,595	1,528
⁴ Danske Bank A/S	2.000%	9/8/21	1,120	1,069
⁴ Danske Bank A/S	3.875%	9/12/23	1,020	1,011
Deutsche Bank AG	2.500%	2/13/19	270	269
Deutsche Bank AG	2.700%	7/13/20	660	644
Deutsche Bank AG	3.150%	1/22/21	1,425	1,379
Deutsche Bank AG	4.250%	10/14/21	1,215	1,196
Fifth Third Bank	2.875%	10/1/21	425	419
Fifth Third Bank	3.850%	3/15/26	830	816
Goldman Sachs Group Inc.	5.375%	3/15/20	405	419
Goldman Sachs Group Inc.	2.600%	4/23/20	170	168
Goldman Sachs Group Inc.	5.250%	7/27/21	865	908
Goldman Sachs Group Inc.	5.750%	1/24/22	360	385
¹ Goldman Sachs Group Inc.	2.876%	10/31/22	1,795	1,752
Goldman Sachs Group Inc.	3.625%	1/22/23	1,980	1,967
¹ Goldman Sachs Group Inc.	3.272%	9/29/25	1,205	1,144
Goldman Sachs Group Inc.	3.500%	11/16/26	2,000	1,874
Goldman Sachs Group Inc.	3.850%	1/26/27	740	710
¹ Goldman Sachs Group Inc.	3.691%	6/5/28	810	768
¹ Goldman Sachs Group Inc.	3.814%	4/23/29	1,265	1,199
¹ Goldman Sachs Group Inc.	4.223%	5/1/29	2,630	2,590
Goldman Sachs Group Inc.	6.750%	10/1/37	835	990
Goldman Sachs Group Inc.	4.750%	10/21/45	680	670
⁴ HSBC Bank plc	4.750%	1/19/21	1,700	1,755
HSBC Holdings plc	3.400%	3/8/21	1,535	1,534
HSBC Holdings plc	4.000%	3/30/22	2,395	2,427
HSBC Holdings plc	3.600%	5/25/23	1,600	1,585
⁵ HSBC Holdings plc	3.326%	5/18/24	730	728
¹ HSBC Holdings plc	4.041%	3/13/28	890	862
¹ HSBC Holdings plc	4.583%	6/19/29	1,675	1,692
HSBC Holdings plc	6.500%	5/2/36	1,000	1,156
HSBC Holdings plc	6.100%	1/14/42	375	452
HSBC Holdings plc	5.250%	3/14/44	440	444
HSBC USA Inc.	2.350%	3/5/20	2,775	2,740
HSBC USA Inc.	3.500%	6/23/24	620	610
Huntington Bancshares Inc.	3.150%	3/14/21	800	795
Huntington National Bank	2.200%	4/1/19	560	558
Huntington National Bank	2.400%	4/1/20	1,160	1,143
ING Groep NV	3.150%	3/29/22	365	358
ING Groep NV	3.950%	3/29/27	820	802
JPMorgan Chase & Co.	6.300%	4/23/19	465	478
JPMorgan Chase & Co.	4.950%	3/25/20	650	668

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
JPMorgan Chase & Co.	4.350%	8/15/21	4,862	5,000	Wells Fargo & Co.	4.750%	12/7/46	620	593
JPMorgan Chase & Co.	4.500%	1/24/22	495	512	Westpac Banking Corp.	2.300%	5/26/20	630	621
JPMorgan Chase & Co.	3.250%	9/23/22	970	959					
JPMorgan Chase & Co.	3.375%	5/1/23	875	855	Brokerage (0.0%)				
JPMorgan Chase & Co.	3.875%	2/1/24	800	805	Ameriprise Financial Inc.	5.300%	3/15/20	305	315
JPMorgan Chase & Co.	3.900%	7/15/25	2,270	2,264	Charles Schwab Corp.	3.200%	3/2/27	545	519
JPMorgan Chase & Co.	4.125%	12/15/26	765	754					
JPMorgan Chase & Co.	4.250%	10/1/27	2,295	2,266	Finance Companies (0.2%)				
JPMorgan Chase & Co.	5.400%	1/6/42	750	828	GE Capital International Funding Co. Unlimited Co.	4.418%	11/15/35	4,955	4,801
¹ JPMorgan Chase & Co.	3.964%	11/15/48	5,550	4,957					
⁴ Macquarie Bank Ltd.	2.400%	1/21/20	330	326	Insurance (1.1%)				
^{1,4} Macquarie Group Ltd.	4.150%	3/27/24	1,375	1,368	Aetna Inc.	2.800%	6/15/23	680	645
Manufacturers & Traders Trust Co.	2.100%	2/6/20	495	487	Anthem Inc.	2.300%	7/15/18	375	375
Manufacturers & Traders Trust Co.	2.900%	2/6/25	685	657	Anthem Inc.	3.125%	5/15/22	1,610	1,584
Morgan Stanley	2.500%	1/24/19	2,500	2,496	Anthem Inc.	3.300%	1/15/23	1,100	1,073
Morgan Stanley	5.625%	9/23/19	645	665	Anthem Inc.	4.101%	3/1/28	1,140	1,119
Morgan Stanley	5.750%	1/25/21	1,740	1,840	Anthem Inc.	4.650%	8/15/44	426	417
Morgan Stanley	2.500%	4/21/21	1,175	1,147	Anthem Inc.	4.375%	12/1/47	270	250
Morgan Stanley	2.625%	11/17/21	800	778	Berkshire Hathaway Inc.	2.750%	3/15/23	1,050	1,025
Morgan Stanley	2.750%	5/19/22	1,710	1,656	Berkshire Hathaway Inc.	3.125%	3/15/26	715	687
Morgan Stanley	3.700%	10/23/24	750	741	Chubb INA Holdings Inc.	2.300%	11/3/20	170	167
Morgan Stanley	3.125%	7/27/26	1,345	1,245	Chubb INA Holdings Inc.	3.350%	5/15/24	555	546
Morgan Stanley	6.250%	8/9/26	3,000	3,388	Chubb INA Holdings Inc.	4.350%	11/3/45	800	816
Morgan Stanley	3.625%	1/20/27	1,250	1,203	Cigna Corp.	3.250%	4/15/25	880	824
¹ Morgan Stanley	3.772%	1/24/29	1,560	1,499	CNA Financial Corp.	3.950%	5/15/24	135	134
Morgan Stanley	4.300%	1/27/45	850	801	⁴ Five Corners Funding Trust	4.419%	11/15/23	210	216
National City Corp.	6.875%	5/15/19	1,000	1,034	⁴ Liberty Mutual Group Inc.	4.250%	6/15/23	360	364
⁴ NBK SPC Ltd.	2.750%	5/30/22	1,530	1,457	Loews Corp.	2.625%	5/15/23	440	421
Northern Trust Corp.	3.450%	11/4/20	255	258	^{1,4} Massachusetts Mutual Life Insurance Co.	7.625%	11/15/23	2,000	2,329
PNC Bank NA	3.300%	10/30/24	460	451	MetLife Inc.	3.600%	4/10/24	580	574
PNC Bank NA	2.950%	2/23/25	1,105	1,059	MetLife Inc.	4.125%	8/13/42	145	136
PNC Bank NA	4.200%	11/1/25	255	259	MetLife Inc.	4.875%	11/13/43	530	553
PNC Bank NA	3.100%	10/25/27	1,165	1,103	⁴ Metropolitan Life Global Funding I	2.650%	4/8/22	340	327
PNC Bank NA	3.250%	1/22/28	1,675	1,596	⁴ Metropolitan Life Global Funding I	3.450%	12/18/26	640	618
PNC Financial Services Group Inc.	3.900%	4/29/24	580	581	⁴ Metropolitan Life Global Funding I	3.000%	9/19/27	1,165	1,089
Royal Bank of Canada	2.750%	2/1/22	1,195	1,172	⁴ New York Life Global Funding	2.900%	1/17/24	810	783
Santander Holdings USA Inc.	2.700%	5/24/19	433	431	⁴ New York Life Insurance Co.	5.875%	5/15/33	2,100	2,522
Santander Holdings USA Inc.	2.650%	4/17/20	580	576	⁴ Northwestern Mutual Life Insurance Co.	3.850%	9/30/47	656	603
Santander Holdings USA Inc.	3.700%	3/28/22	915	899	⁴ Teachers Insurance & Annuity Assn. of America	4.900%	9/15/44	875	919
Santander Holdings USA Inc.	3.400%	1/18/23	605	582	⁴ Teachers Insurance & Annuity Association of America	4.270%	5/15/47	1,145	1,092
⁴ Skandinaviska Enskilda Banken AB	2.450%	5/27/20	1,600	1,576	UnitedHealth Group Inc.	3.875%	10/15/20	601	611
⁴ Societe Generale SA	3.250%	1/12/22	1,515	1,478	UnitedHealth Group Inc.	2.875%	3/15/22	27	27
¹ State Street Corp.	2.653%	5/15/23	840	816	UnitedHealth Group Inc.	2.875%	3/15/23	1,175	1,145
SunTrust Bank	3.300%	5/15/26	340	321	UnitedHealth Group Inc.	3.100%	3/15/26	430	410
Svenska Handelsbanken AB	1.875%	9/7/21	1,050	992	UnitedHealth Group Inc.	3.850%	6/15/28	1,190	1,191
Synchrony Bank	3.650%	5/24/21	1,290	1,288	UnitedHealth Group Inc.	4.625%	7/15/35	600	631
Synchrony Financial	3.000%	8/15/19	1,055	1,053	UnitedHealth Group Inc.	4.250%	3/15/43	1,600	1,585
Synchrony Financial	2.700%	2/3/20	1,605	1,587	UnitedHealth Group Inc.	4.750%	7/15/45	760	812
Toronto-Dominion Bank	2.500%	12/14/20	985	969	UnitedHealth Group Inc.	4.200%	1/15/47	215	211
⁴ UBS AG	2.200%	6/8/20	750	736	UnitedHealth Group Inc.	4.250%	6/15/48	1,330	1,330
⁴ UBS AG	4.500%	6/26/48	880	890	Other Finance (0.0%)				
⁴ UBS Group Funding Jersey Ltd.	2.950%	9/24/20	1,160	1,148	⁴ LeasePlan Corp. NV	2.875%	1/22/19	970	969
⁴ UBS Group Funding Jersey Ltd.	2.650%	2/1/22	1,250	1,203					
US Bancorp	2.625%	1/24/22	1,305	1,277	Real Estate Investment Trusts (0.1%)				
US Bancorp	3.700%	1/30/24	1,560	1,574	AvalonBay Communities Inc.	3.625%	10/1/20	520	525
Wachovia Corp.	7.500%	4/15/35	1,000	1,261	Boston Properties LP	3.125%	9/1/23	355	346
Wells Fargo & Co.	2.150%	1/15/19	2,915	2,906	Boston Properties LP	3.800%	2/1/24	45	45
Wells Fargo & Co.	3.000%	1/22/21	505	501	Realty Income Corp.	4.650%	8/1/23	640	662
Wells Fargo & Co.	3.500%	3/8/22	640	638	Simon Property Group LP	3.750%	2/1/24	90	90
Wells Fargo & Co.	3.069%	1/24/23	195	189	Simon Property Group LP	3.375%	10/1/24	275	268
Wells Fargo & Co.	3.450%	2/13/23	735	719	⁴ WEA Finance LLC / Westfield UK & Europe Finance plc	2.700%	9/17/19	1,330	1,321
Wells Fargo & Co.	4.480%	1/16/24	1,199	1,224					
Wells Fargo & Co.	3.000%	2/19/25	890	839					
Wells Fargo & Co.	3.550%	9/29/25	860	833					
Wells Fargo & Co.	3.000%	4/22/26	1,045	960					
Wells Fargo & Co.	4.100%	6/3/26	340	333					
Wells Fargo & Co.	3.000%	10/23/26	170	157					
Wells Fargo & Co.	5.606%	1/15/44	2,276	2,420					
Wells Fargo & Co.	4.900%	11/17/45	515	510					

242,317

Balanced Portfolio

				Face Amount (\$000)	Market Value* (\$000)					Face Amount (\$000)	Market Value* (\$000)	
	Coupon	Maturity Date					Coupon	Maturity Date				
Industrial (10.4%)						4	NBCUniversal Enterprise Inc.					
Basic Industry (0.1%)							NBCUniversal Media LLC					
International Paper Co.						4.350%	8/15/48	1,255	1,131			
Capital Goods (0.7%)							NBCUniversal Media LLC					
							4.450%	1/15/43	309	292		
4	BAE Systems Holdings Inc.	2.850%	12/15/20	160	158		Orange SA	4.125%	9/14/21	1,740	1,779	
4	BAE Systems Holdings Inc.	3.850%	12/15/25	1,085	1,066		Orange SA	9.000%	3/1/31	530	727	
	Boeing Co.	5.875%	2/15/40	175	220	4	SK Telecom Co. Ltd.	3.750%	4/16/23	385	383	
	Caterpillar Financial Services Corp.	2.625%	3/1/23	1,360	1,315	4	Sky plc	2.625%	9/16/19	975	968	
	Caterpillar Inc.	3.900%	5/27/21	1,170	1,196	4	Sky plc	3.750%	9/16/24	1,435	1,427	
	Caterpillar Inc.	2.600%	6/26/22	705	688	1.4	Sprint Spectrum Co LLC /					
	Caterpillar Inc.	3.400%	5/15/24	810	807		Sprint Spectrum Co II LLC /					
	General Dynamics Corp.	2.875%	5/11/20	1,505	1,504		Sprint Spectrum Co III LLC	4.738%	3/20/25	1,300	1,290	
	General Dynamics Corp.	3.875%	7/15/21	355	363		Time Warner Cable LLC	8.750%	2/14/19	25	26	
	General Electric Co.	2.700%	10/9/22	210	202		Time Warner Cable LLC	8.250%	4/1/19	364	377	
	General Electric Co.	3.100%	1/9/23	360	352		Time Warner Entertainment Co. LP	8.375%	3/15/23	95	111	
	Honeywell International Inc.	4.250%	3/1/21	1,002	1,032		Time Warner Inc.	4.875%	3/15/20	700	718	
	Illinois Tool Works Inc.	3.500%	3/1/24	1,295	1,307		Time Warner Inc.	4.750%	3/29/21	350	361	
	John Deere Capital Corp.	2.250%	4/17/19	1,465	1,461		Time Warner Inc.	3.600%	7/15/25	625	594	
	John Deere Capital Corp.	1.700%	1/15/20	520	511		Verizon Communications Inc.	3.500%	11/1/21	1,040	1,044	
	John Deere Capital Corp.	3.450%	3/13/25	1,200	1,194		Verizon Communications Inc.	4.812%	3/15/39	2,406	2,330	
	Lockheed Martin Corp.	2.900%	3/1/25	610	581		Verizon Communications Inc.	4.750%	11/1/41	290	275	
	Lockheed Martin Corp.	4.500%	5/15/36	211	218		Verizon Communications Inc.	4.862%	8/21/46	1,151	1,081	
	Lockheed Martin Corp.	4.700%	5/15/46	376	395		Verizon Communications Inc.	5.012%	4/15/49	1,133	1,105	
	Lockheed Martin Corp.	4.090%	9/15/52	144	135		Vodafone Group plc	3.750%	1/16/24	1,215	1,204	
	Parker-Hannifin Corp.	4.450%	11/21/44	450	469		Vodafone Group plc	5.000%	5/30/38	50	49	
4	Siemens Financieringsmaatschappij NV	2.900%	5/27/22	1,050	1,032		Vodafone Group plc	5.250%	5/30/48	785	780	
4	Siemens Financieringsmaatschappij NV	3.125%	3/16/24	1,680	1,641		Walt Disney Co.	4.125%	6/1/44	560	541	
4	Siemens Financieringsmaatschappij NV	4.400%	5/27/45	800	834		Consumer Cyclical (1.2%)					
	United Technologies Corp.	3.100%	6/1/22	535	526		Alibaba Group Holding Ltd.	3.600%	11/28/24	1,065	1,048	
	United Technologies Corp.	6.050%	6/1/36	675	778		Alibaba Group Holding Ltd.	3.400%	12/6/27	1,750	1,629	
	United Technologies Corp.	4.500%	6/1/42	787	771		Amazon.com Inc.	2.500%	11/29/22	885	860	
	United Technologies Corp.	3.750%	11/1/46	163	142		Amazon.com Inc.	2.800%	8/22/24	715	682	
Communication (1.4%)							Amazon.com Inc.	4.800%	12/5/34	995	1,086	
	21st Century Fox America Inc.	3.000%	9/15/22	245	240		Amazon.com Inc.	4.950%	12/5/44	580	643	
	America Movil SAB de CV	3.125%	7/16/22	1,880	1,846		Amazon.com Inc.	4.250%	8/22/57	1,385	1,364	
	America Movil SAB de CV	6.125%	3/30/40	390	458		American Honda Finance Corp.	2.125%	10/10/18	1,110	1,109	
	American Tower Corp.	3.450%	9/15/21	1,125	1,121		AutoZone Inc.	3.700%	4/15/22	1,371	1,379	
	American Tower Corp.	5.000%	2/15/24	220	229		AutoZone Inc.	3.125%	7/15/23	600	583	
	American Tower Corp.	4.400%	2/15/26	450	449	4	BMW US Capital LLC	2.000%	4/11/21	585	565	
	AT&T Inc.	5.200%	3/15/20	255	263	4	BMW US Capital LLC	2.250%	9/15/23	2,500	2,330	
	AT&T Inc.	2.450%	6/30/20	225	221	4	BMW US Capital LLC	2.800%	4/11/26	151	139	
	AT&T Inc.	4.600%	2/15/21	100	103	4	Daimler Finance North America LLC	2.375%	8/1/18	900	900	
	AT&T Inc.	4.500%	3/9/48	602	518	4	Daimler Finance North America LLC	2.250%	7/31/19	1,575	1,563	
	CBS Corp.	4.300%	2/15/21	675	688	4	Daimler Finance North America LLC	2.200%	5/5/20	470	460	
	Comcast Corp.	3.600%	3/1/24	2,900	2,853	4	Daimler Finance North America LLC	2.450%	5/18/20	155	153	
	Comcast Corp.	3.375%	2/15/25	70	67	4	Daimler Finance North America LLC	2.300%	2/12/21	945	917	
	Comcast Corp.	2.350%	1/15/27	540	470	4	Daimler Finance North America LLC	3.250%	8/1/24	160	155	
	Comcast Corp.	4.250%	1/15/33	1,032	1,007		Ford Motor Co.	4.346%	12/8/26	1,225	1,199	
	Comcast Corp.	4.200%	8/15/34	730	695		Ford Motor Credit Co. LLC	2.375%	3/12/19	900	897	
	Comcast Corp.	5.650%	6/15/35	110	122		Ford Motor Credit Co. LLC	3.157%	8/4/20	710	705	
	Comcast Corp.	4.400%	8/15/35	877	852		General Motors Financial Co. Inc.	3.550%	4/9/21	455	453	
	Comcast Corp.	6.500%	11/15/35	115	136		General Motors Financial Co. Inc.	3.950%	4/13/24	1,570	1,532	
	Comcast Corp.	6.400%	5/15/38	27	32		Home Depot Inc.	2.250%	9/10/18	975	975	
	Comcast Corp.	4.650%	7/15/42	1,290	1,249		Home Depot Inc.	2.700%	4/1/23	720	702	
	Comcast Corp.	4.500%	1/15/43	500	471		Home Depot Inc.	4.400%	3/15/45	780	800	
	Comcast Corp.	4.750%	3/1/44	876	860	4	Hyundai Capital America	2.550%	4/3/20	790	777	
	Comcast Corp.	4.600%	8/15/45	1,198	1,150	4.5	Hyundai Capital America	3.261%	7/8/21	1,400	1,401	
	Comcast Corp.	3.969%	11/1/47	252	221		Lowe's Cos. Inc.	3.100%	5/3/27	1,300	1,231	
	Comcast Corp.	4.000%	3/1/48	345	303		Lowe's Cos. Inc.	6.500%	3/15/29	334	406	
	Comcast Corp.	3.999%	11/1/49	602	526		McDonald's Corp.	2.625%	1/15/22	195	191	
	Comcast Corp.	4.049%	11/1/52	187	162		McDonald's Corp.	3.250%	6/10/24	140	138	
4	Cox Communications Inc.	4.800%	2/1/35	1,540	1,405		McDonald's Corp.	4.875%	12/9/45	260	273	
4	Cox Communications Inc.	6.450%	12/1/36	45	51	4	Nissan Motor Acceptance Corp.	2.650%	9/26/18	585	585	
4	Cox Communications Inc.	4.600%	8/15/47	125	113		Volkswagen Group of America					
	Crown Castle International Corp.	3.650%	9/1/27	285	265		Finance LLC	2.450%	11/20/19	440	436	
	Crown Castle International Corp.	3.800%	2/15/28	235	220		Walmart Inc.	2.550%	4/11/23	1,250	1,207	
	Discovery Communications LLC	5.625%	8/15/19	49	50		Walmart Inc.	3.550%	6/26/25	1,605	1,614	
4	GTP Acquisition Partners I LLC	2.350%	6/15/20	580	570		Walmart Inc.	3.625%	12/15/47	380	355	

Balanced Portfolio

			Face Amount (\$000)	Market Value* (\$000)				Face Amount (\$000)	Market Value* (\$000)		
	Coupon	Maturity Date				Coupon	Maturity Date				
Consumer Noncyclical (3.6%)											
	Allergan Funding SCS	3.000%	3/12/20	1,121	1,116		Gilead Sciences Inc.	3.700%	4/1/24	1,010	1,012
	Allergan Funding SCS	3.450%	3/15/22	450	443		Gilead Sciences Inc.	3.500%	2/1/25	560	551
	Allergan Funding SCS	3.800%	3/15/25	1,125	1,094		Gilead Sciences Inc.	4.500%	2/1/45	825	824
	Allergan Funding SCS	4.550%	3/15/35	660	626		Gilead Sciences Inc.	4.750%	3/1/46	195	201
	Allergan Funding SCS	4.850%	6/15/44	450	434		GlaxoSmithKline Capital Inc.	2.800%	3/18/23	385	375
	Allergan Funding SCS	4.750%	3/15/45	160	154		GlaxoSmithKline Capital Inc.	5.375%	4/15/34	2,000	2,274
	Altria Group Inc.	4.750%	5/5/21	590	613	4	Imperial Tobacco Finance plc	3.750%	7/21/22	1,680	1,667
	Altria Group Inc.	2.850%	8/9/22	455	444	4	Japan Tobacco Inc.	2.100%	7/23/18	545	545
	Altria Group Inc.	4.500%	5/2/43	245	235		Kaiser Foundation Hospitals	3.500%	4/1/22	560	565
	Altria Group Inc.	3.875%	9/16/46	625	549		Kaiser Foundation Hospitals	3.150%	5/1/27	490	470
	AmerisourceBergen Corp.	3.500%	11/15/21	1,310	1,308		Kaiser Foundation Hospitals	4.875%	4/1/42	365	408
	Amgen Inc.	3.875%	11/15/21	310	315		Kraft Heinz Foods Co.	3.000%	6/1/26	530	478
	Amgen Inc.	5.150%	11/15/41	945	996		Kraft Heinz Foods Co.	5.000%	7/15/35	230	227
	Amgen Inc.	4.663%	6/15/51	325	321		Kraft Heinz Foods Co.	4.375%	6/1/46	1,710	1,474
	Anheuser-Busch InBev Finance Inc.	3.300%	2/1/23	2,000	1,983		McKesson Corp.	2.700%	12/15/22	195	187
	Anheuser-Busch InBev Finance Inc.	3.650%	2/1/26	1,805	1,767		McKesson Corp.	2.850%	3/15/23	190	182
	Anheuser-Busch InBev Finance Inc.	4.700%	2/1/36	3,990	4,032		McKesson Corp.	3.796%	3/15/24	305	301
	Anheuser-Busch InBev Finance Inc.	4.900%	2/1/46	2,640	2,717		Medtronic Inc.	2.500%	3/15/20	935	928
	Anheuser-Busch InBev Worldwide Inc.	3.750%	1/15/22	400	406		Medtronic Inc.	3.150%	3/15/22	1,690	1,677
	Anheuser-Busch InBev Worldwide Inc.	2.500%	7/15/22	3,780	3,640		Medtronic Inc.	3.625%	3/15/24	270	271
	Anheuser-Busch InBev Worldwide Inc.	4.375%	4/15/38	635	614		Medtronic Inc.	3.500%	3/15/25	2,196	2,172
	Anheuser-Busch InBev Worldwide Inc.	3.750%	7/15/42	520	455		Medtronic Inc.	4.375%	3/15/35	249	257
	Anheuser-Busch InBev Worldwide Inc.	4.600%	4/15/48	395	389		Memorial Sloan-Kettering Cancer Center New York GO	4.125%	7/1/52	310	314
	Ascension Health	3.945%	11/15/46	365	359		Memorial Sloan-Kettering Cancer Center New York GO	4.200%	7/1/55	310	320
1	Ascension Health	4.847%	11/15/53	55	62		Merck & Co. Inc.	2.350%	2/10/22	790	769
	AstraZeneca plc	1.950%	9/18/19	390	385		Merck & Co. Inc.	2.800%	5/18/23	1,175	1,149
	AstraZeneca plc	2.375%	11/16/20	1,180	1,158		Merck & Co. Inc.	2.750%	2/10/25	1,210	1,156
4	AstraZeneca plc	6.450%	9/15/37	615	760		Merck & Co. Inc.	4.150%	5/18/43	760	776
4	BAT Capital Corp.	3.557%	8/15/27	1,875	1,743		Molson Coors Brewing Co.	3.500%	5/1/22	690	688
4	BAT International Finance plc	2.750%	6/15/20	550	543		Molson Coors Brewing Co.	5.000%	5/1/42	160	161
4	BAT International Finance plc	3.250%	6/7/22	1,480	1,454		Mylan NV	3.950%	6/15/26	900	859
4	BAT International Finance plc	3.500%	6/15/22	235	233		New York & Presbyterian Hospital	4.024%	8/1/45	735	737
4	Bayer US Finance II LLC	4.250%	12/15/25	975	980		Novartis Capital Corp.	3.400%	5/6/24	415	414
4	Bayer US Finance LLC	2.375%	10/8/19	200	198		Novartis Capital Corp.	4.400%	5/6/44	640	684
4	Bayer US Finance LLC	3.000%	10/8/21	1,980	1,945		Orlando Health Obligated Group	4.089%	10/1/48	80	79
	Biogen Inc.	2.900%	9/15/20	550	547		Partners Healthcare System				
	Cardinal Health Inc.	2.400%	11/15/19	625	619		Massachusetts GO	3.443%	7/1/21	50	50
	Cardinal Health Inc.	3.200%	3/15/23	1,065	1,034		PepsiCo Inc.	3.125%	11/1/20	330	332
	Cardinal Health Inc.	3.079%	6/15/24	320	301		PepsiCo Inc.	2.750%	3/5/22	670	662
	Cardinal Health Inc.	3.500%	11/15/24	580	558		PepsiCo Inc.	2.375%	10/6/26	1,945	1,774
	Cardinal Health Inc.	4.500%	11/15/44	665	601		PepsiCo Inc.	4.000%	3/5/42	845	828
4	Cargill Inc.	4.307%	5/14/21	2,092	2,148		PepsiCo Inc.	3.450%	10/6/46	1,215	1,083
4	Cargill Inc.	6.875%	5/1/28	645	781		Pfizer Inc.	3.000%	6/15/23	755	746
4	Cargill Inc.	4.760%	11/23/45	635	705		Pfizer Inc.	3.000%	12/15/26	1,200	1,151
	Catholic Health Initiatives Colorado GO	2.600%	8/1/18	255	255		Philip Morris International Inc.	4.500%	3/26/20	250	256
	Catholic Health Initiatives Colorado GO	2.950%	11/1/22	535	517		Philip Morris International Inc.	4.125%	5/17/21	1,025	1,048
	Catholic Health Initiatives Colorado GO	4.200%	8/1/23	535	546		Philip Morris International Inc.	2.500%	8/22/22	575	553
1	Catholic Health Initiatives Colorado GO	4.350%	11/1/42	496	468		Philip Morris International Inc.	2.625%	3/6/23	1,150	1,100
	Celgene Corp.	2.250%	5/15/19	160	159		Philip Morris International Inc.	3.375%	8/1/25	424	412
	Celgene Corp.	3.550%	8/15/22	475	471		Philip Morris International Inc.	4.875%	11/15/43	145	149
	Coca-Cola Co.	3.500%	9/15/20	500	501		Procter & Gamble - Esop	9.360%	1/1/21	654	708
	Coca-Cola Co.	3.300%	9/1/21	300	303	1	Providence St. Joseph Health Obligated Group	2.746%	10/1/26	490	457
	Coca-Cola Femsa SAB de CV	2.375%	11/26/18	346	346	1	Providence St. Joseph Health Obligated Group	3.930%	10/1/48	325	311
	Coca-Cola Femsa SAB de CV	3.875%	11/26/23	850	851	4	Roche Holdings Inc.	2.875%	9/29/21	850	842
	Colgate-Palmolive Co.	7.600%	5/19/25	480	599	4	Roche Holdings Inc.	2.375%	1/28/27	1,650	1,499
	Constellation Brands Inc.	2.700%	5/9/22	65	63		Sanofi	4.000%	3/29/21	1,130	1,156
	CVS Health Corp.	2.750%	12/1/22	965	925	4	Sigma Alimentos SA de CV	4.125%	5/2/26	510	478
	CVS Health Corp.	4.875%	7/20/35	315	313		SSM Health Care Corp.	3.823%	6/1/27	940	936
	CVS Health Corp.	5.125%	7/20/45	1,380	1,404		Stanford Health Care	3.795%	11/15/48	235	227
	CVS Health Corp.	5.050%	3/25/48	615	623	4	Teva Pharmaceutical Finance				
	Diageo Capital plc	2.625%	4/29/23	1,230	1,188		Netherlands III BV	2.800%	7/21/23	980	846
	Diageo Investment Corp.	2.875%	5/11/22	525	517		The Kroger Co.	3.850%	8/1/23	270	270
	Dignity Health California GO	2.637%	11/1/19	140	139		The Kroger Co.	4.000%	2/1/24	540	541
	Dignity Health California GO	3.812%	11/1/24	560	552		The Pepsi Bottling Group Inc.	7.000%	3/1/29	500	637
	Eli Lilly & Co.	3.700%	3/1/45	635	600		Unilever Capital Corp.	4.250%	2/10/21	2,805	2,881
4	EMD Finance LLC	2.950%	3/19/22	605	591						
4	Forest Laboratories Inc.	4.875%	2/15/21	268	275						
	Gilead Sciences Inc.	2.550%	9/1/20	615	608						

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		
Energy (1.3%)					Broadcom Corp. / Broadcom Cayman Finance Ltd.						
4	BG Energy Capital plc	4.000%	10/15/21	555	566	3.625%	1/15/24	905	876		
	BP Capital Markets plc	4.750%	3/10/19	795	806	Cisco Systems Inc.	4.450%	1/15/20	605	620	
	BP Capital Markets plc	2.315%	2/13/20	160	158	Cisco Systems Inc.	2.900%	3/4/21	320	320	
	BP Capital Markets plc	4.500%	10/1/20	400	412	Cisco Systems Inc.	2.500%	9/20/26	431	399	
	BP Capital Markets plc	3.062%	3/17/22	1,100	1,093	Intel Corp.	2.875%	5/11/24	800	774	
	BP Capital Markets plc	3.245%	5/6/22	650	648	Intel Corp.	4.100%	5/19/46	1,360	1,360	
	BP Capital Markets plc	2.500%	11/6/22	500	481	International Business Machines Corp.	3.375%	8/1/23	1,750	1,748	
	BP Capital Markets plc	3.994%	9/26/23	420	429	International Business Machines Corp.	5.875%	11/29/32	1,010	1,222	
	BP Capital Markets plc	3.814%	2/10/24	1,700	1,715	Microsoft Corp.	2.375%	2/12/22	635	620	
	BP Capital Markets plc	3.506%	3/17/25	1,280	1,267	Microsoft Corp.	3.625%	12/15/23	500	511	
	Chevron Corp.	3.191%	6/24/23	1,235	1,224	Microsoft Corp.	2.875%	2/6/24	1,385	1,358	
	ConocoPhillips Co.	4.950%	3/15/26	115	124	Microsoft Corp.	2.700%	2/12/25	760	730	
	ConocoPhillips Co.	4.300%	11/15/44	1,215	1,227	Microsoft Corp.	3.125%	11/3/25	845	830	
	Devon Energy Corp.	3.250%	5/15/22	495	484	Microsoft Corp.	2.400%	8/8/26	1,890	1,745	
	Dominion Energy Gas Holdings LLC	3.550%	11/1/23	470	465	Microsoft Corp.	3.500%	2/12/35	605	586	
	Dominion Energy Gas Holdings LLC	4.800%	11/1/43	125	130	Microsoft Corp.	3.450%	8/8/36	1,725	1,651	
	Dominion Energy Gas Holdings LLC	4.600%	12/15/44	1,168	1,161	Microsoft Corp.	4.100%	2/6/37	1,225	1,267	
	Enterprise Products Operating LLC	4.250%	2/15/48	1,000	930	Microsoft Corp.	4.450%	11/3/45	380	411	
	EOG Resources Inc.	5.625%	6/1/19	425	435	Microsoft Corp.	3.700%	8/8/46	1,615	1,560	
	Exxon Mobil Corp.	2.222%	3/1/21	380	372	Microsoft Corp.	4.250%	2/6/47	2,500	2,650	
	Exxon Mobil Corp.	2.726%	3/1/23	320	313	Oracle Corp.	2.800%	7/8/21	375	372	
	Exxon Mobil Corp.	3.043%	3/1/26	225	219	Oracle Corp.	2.500%	5/15/22	1,210	1,178	
	Exxon Mobil Corp.	4.114%	3/1/46	320	325	Oracle Corp.	2.950%	11/15/24	2,190	2,108	
	Halliburton Co.	3.500%	8/1/23	1,980	1,972	Oracle Corp.	2.950%	5/15/25	355	338	
	Noble Energy Inc.	4.150%	12/15/21	425	432	Oracle Corp.	3.250%	11/15/27	3,065	2,927	
	Occidental Petroleum Corp.	4.100%	2/1/21	1,120	1,146	Oracle Corp.	4.000%	11/15/47	895	844	
	Occidental Petroleum Corp.	2.700%	2/15/23	250	243	QUALCOMM Inc.	2.600%	1/30/23	705	673	
	Occidental Petroleum Corp.	3.400%	4/15/26	790	769	QUALCOMM Inc.	2.900%	5/20/24	1,020	964	
4	Schlumberger Holdings Corp.	3.000%	12/21/20	800	794	4	Tencent Holdings Ltd.	3.595%	1/19/28	1,545	1,455
4	Schlumberger Investment SA	2.400%	8/1/22	630	605	Transportation (0.4%)					
	Schlumberger Investment SA	3.650%	12/1/23	1,120	1,128	Burlington Northern Santa Fe LLC	3.000%	3/15/23	565	554	
	Shell International Finance BV	4.375%	3/25/20	800	820	Burlington Northern Santa Fe LLC	3.850%	9/1/23	1,630	1,663	
	Shell International Finance BV	2.250%	11/10/20	1,600	1,574	Burlington Northern Santa Fe LLC	3.250%	6/15/27	335	324	
	Shell International Finance BV	4.125%	5/11/35	1,130	1,145	1	Continental Airlines 2007-1 Class A				
	Shell International Finance BV	5.500%	3/25/40	345	403		Pass Through Trust	5.983%	10/19/23	659	698
	Shell International Finance BV	4.375%	5/11/45	2,500	2,550		CSX Corp.	4.300%	3/1/48	445	424
	Suncor Energy Inc.	5.950%	12/1/34	500	579	4	ERAC USA Finance LLC	2.350%	10/15/19	610	604
	Sunoco Logistics Partners					4	ERAC USA Finance LLC	4.500%	8/16/21	325	333
	Operations LP	4.400%	4/1/21	1,225	1,245	4	ERAC USA Finance LLC	3.300%	10/15/22	40	40
	Total Capital International SA	2.700%	1/25/23	885	860	4	ERAC USA Finance LLC	7.000%	10/15/37	1,150	1,438
	Total Capital International SA	3.750%	4/10/24	1,400	1,410	1	Federal Express Corp. 1998 Pass				
	Total Capital SA	2.125%	8/10/18	850	850		Through Trust	6.720%	1/15/22	639	670
	TransCanada PipeLines Ltd.	3.800%	10/1/20	1,220	1,236		FedEx Corp.	2.700%	4/15/23	255	244
	TransCanada PipeLines Ltd.	4.875%	1/15/26	1,255	1,310		FedEx Corp.	3.875%	8/1/42	120	107
Other Industrial (0.1%)							FedEx Corp.	4.100%	4/15/43	500	457
1	Johns Hopkins University Maryland GO	4.083%	7/1/53	690	705		FedEx Corp.	5.100%	1/15/44	340	356
4	SBA Tower Trust	2.898%	10/8/19	1,205	1,198		FedEx Corp.	4.550%	4/1/46	215	207
4	SBA Tower Trust	3.168%	4/11/22	1,330	1,315		Kansas City Southern	4.950%	8/15/45	480	482
4	SBA Tower Trust	3.448%	3/15/23	705	702	4	Penske Truck Leasing Co. LP / PTL				
Technology (1.6%)							Finance Corp.	3.950%	3/10/25	1,435	1,411
	Apple Inc.	2.850%	5/6/21	1,100	1,097	1	Southwest Airlines Co. 2007-1 Pass				
	Apple Inc.	3.000%	2/9/24	620	607		Through Trust	6.150%	2/1/24	312	330
	Apple Inc.	3.450%	5/6/24	1,000	1,000	1	United Airlines 2018-1 Class B Pass				
	Apple Inc.	2.850%	5/11/24	1,225	1,184		Through Trust	4.600%	3/1/26	215	215
	Apple Inc.	2.750%	1/13/25	590	563		United Parcel Service Inc.	2.450%	10/1/22	425	411
	Apple Inc.	3.250%	2/23/26	1,020	994		United Parcel Service Inc.	4.875%	11/15/40	150	164
	Apple Inc.	2.450%	8/4/26	1,170	1,072	294,617					
	Apple Inc.	3.350%	2/9/27	1,545	1,508	Utilities (2.5%)					
	Apple Inc.	3.200%	5/11/27	1,065	1,027	Electric (2.2%)					
	Apple Inc.	2.900%	9/12/27	2,250	2,111	Alabama Power Co.	5.200%	6/1/41	120	134	
	Apple Inc.	3.850%	5/4/43	430	408	Alabama Power Co.	4.100%	1/15/42	215	210	
	Apple Inc.	4.450%	5/6/44	120	125	Alabama Power Co.	3.750%	3/1/45	630	586	
	Apple Inc.	3.850%	8/4/46	985	933	Alabama Power Co.	4.300%	7/15/48	775	787	
	Applied Materials Inc.	3.300%	4/1/27	875	847	Ameren Illinois Co.	3.800%	5/15/28	590	593	
						Ameren Illinois Co.	6.125%	12/15/28	1,000	1,121	
						Ameren Illinois Co.	3.700%	12/1/47	140	131	

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Berkshire Hathaway Energy Co.	6.125%	4/1/36	1,160	1,428	PacifiCorp	6.250%	10/15/37	2,000	2,545
Berkshire Hathaway Energy Co.	5.150%	11/15/43	1,490	1,656	Potomac Electric Power Co.	6.500%	11/15/37	750	978
Commonwealth Edison Co.	2.950%	8/15/27	645	605	San Diego Gas & Electric Co.	6.000%	6/1/26	600	681
Commonwealth Edison Co.	4.350%	11/15/45	220	224	Sierra Pacific Power Co.	3.375%	8/15/23	850	844
Commonwealth Edison Co.	3.650%	6/15/46	175	161	Sierra Pacific Power Co.	2.600%	5/1/26	221	204
Commonwealth Edison Co.	4.000%	3/1/48	480	469	South Carolina Electric & Gas Co.	5.300%	5/15/33	44	47
Consolidated Edison Co. of New York Inc.	4.500%	12/1/45	980	1,013	South Carolina Electric & Gas Co.	6.050%	1/15/38	1,260	1,431
Consolidated Edison Co. of New York Inc.	3.850%	6/15/46	76	71	South Carolina Electric & Gas Co.	5.450%	2/1/41	95	102
Consolidated Edison Co. of New York Inc.	4.625%	12/1/54	1,835	1,890	South Carolina Electric & Gas Co.	4.350%	2/1/42	181	172
Consolidated Edison Co. of New York Inc.	4.500%	5/15/58	680	683	South Carolina Electric & Gas Co.	4.600%	6/15/43	202	197
Delmarva Power & Light Co.	3.500%	11/15/23	305	305	South Carolina Electric & Gas Co.	4.100%	6/15/46	425	386
Dominion Energy Inc.	2.962%	7/1/19	495	494	South Carolina Electric & Gas Co.	4.500%	6/1/64	115	104
Dominion Energy Inc.	5.200%	8/15/19	750	767	South Carolina Electric & Gas Co.	5.100%	6/1/65	715	720
Dominion Energy Inc.	2.579%	7/1/20	640	631	Southern California Edison Co.	2.400%	2/1/22	170	164
Dominion Energy Inc.	3.625%	12/1/24	1,515	1,485	Southern California Edison Co.	6.000%	1/15/34	1,000	1,166
DTE Energy Co.	3.800%	3/15/27	250	244	Southern California Edison Co.	5.550%	1/15/37	2,250	2,607
Duke Energy Carolinas LLC	3.900%	6/15/21	1,090	1,110	Southern California Edison Co.	6.050%	3/15/39	55	66
Duke Energy Carolinas LLC	6.100%	6/1/37	391	487	Southern California Edison Co.	4.050%	3/15/42	432	404
Duke Energy Carolinas LLC	3.700%	12/1/47	470	437	Southern California Edison Co.	3.900%	3/15/43	225	206
Duke Energy Corp.	2.650%	9/1/26	315	283	Southern California Edison Co.	4.650%	10/1/43	460	470
Duke Energy Corp.	4.800%	12/15/45	1,200	1,249	Southern California Edison Co.	3.600%	2/1/45	141	124
Duke Energy Corp.	3.750%	9/1/46	265	235	Southern California Edison Co.	4.125%	3/1/48	115	109
Duke Energy Florida LLC	6.350%	9/15/37	200	256	Southern Co.	2.450%	9/1/18	225	225
Duke Energy Progress LLC	6.300%	4/1/38	365	459	Southern Co.	2.950%	7/1/23	1,280	1,234
Duke Energy Progress LLC	4.100%	3/15/43	118	116	Southwestern Electric Power Co.	6.200%	3/15/40	400	491
Duke Energy Progress LLC	4.200%	8/15/45	1,920	1,920	Southwestern Public Service Co.	3.700%	8/15/47	102	96
Entergy Louisiana LLC	3.120%	9/1/27	410	389	Virginia Electric & Power Co.	2.750%	3/15/23	690	668
Eversource Energy	4.500%	11/15/19	90	92	Virginia Electric & Power Co.	3.500%	3/15/27	435	427
Eversource Energy	2.900%	10/1/24	690	654	Wisconsin Electric Power Co.	5.700%	12/1/36	690	832
Eversource Energy	3.150%	1/15/25	110	106					
Eversource Energy	3.300%	1/15/28	400	377	Natural Gas (0.3%)				
Florida Power & Light Co.	5.650%	2/1/35	1,000	1,185	4 Boston Gas Co.	3.150%	8/1/27	140	132
Florida Power & Light Co.	4.950%	6/1/35	1,000	1,099	4 Brooklyn Union Gas Co.	4.273%	3/15/48	1,720	1,710
Florida Power & Light Co.	5.950%	2/1/38	785	972	CenterPoint Energy Resources Corp.	4.500%	1/15/21	105	107
Florida Power & Light Co.	5.690%	3/1/40	675	830	4 KeySpan Gas East Corp.	2.742%	8/15/26	670	618
Florida Power & Light Co.	3.700%	12/1/47	480	455	Nisource Finance Corp.	5.250%	2/15/43	390	431
Fortis Inc.	3.055%	10/4/26	1,195	1,087	NiSource Finance Corp.	4.800%	2/15/44	1,355	1,402
Georgia Power Co.	4.750%	9/1/40	168	181	Sempra Energy	2.875%	10/1/22	750	728
Georgia Power Co.	4.300%	3/15/42	565	563	Sempra Energy	3.250%	6/15/27	1,095	1,020
4 Massachusetts Electric Co.	5.900%	11/15/39	585	721	Southern California Gas Co.	2.600%	6/15/26	820	758
MidAmerican Energy Co.	4.250%	5/1/46	45	46					
National Rural Utilities Cooperative Finance Corp.	2.950%	2/7/24	415	400	Other Utility (0.0%)				
National Rural Utilities Cooperative Finance Corp.	2.850%	1/27/25	1,040	989	American Water Capital Corp.	2.950%	9/1/27	540	506
NextEra Energy Capital Holdings Inc.	3.550%	5/1/27	880	841	4 Infraestructura Energetica Nova SAB de CV	4.875%	1/14/48	455	390
Northern States Power Co.	6.250%	6/1/36	2,000	2,490					69,447
Oglethorpe Power Corp.	5.950%	11/1/39	170	205	Total Corporate Bonds (Cost \$610,740)				606,381
Oglethorpe Power Corp.	4.550%	6/1/44	50	50	Sovereign Bonds (1.7%)				
Oglethorpe Power Corp.	4.250%	4/1/46	537	523	4 CDP Financial Inc.	4.400%	11/25/19	1,000	1,022
Oglethorpe Power Corp.	5.250%	9/1/50	330	361	4 Electricite de France SA	4.600%	1/27/20	1,200	1,226
Oncor Electric Delivery Co. LLC	4.550%	12/1/41	75	79	4 Electricite de France SA	4.875%	1/22/44	50	51
Pacific Gas & Electric Co.	4.250%	5/15/21	300	300	4 Electricite de France SA	4.950%	10/13/45	400	408
Pacific Gas & Electric Co.	3.850%	11/15/23	450	435	Equinor ASA	2.450%	1/17/23	382	367
Pacific Gas & Electric Co.	3.750%	2/15/24	305	294	Export-Import Bank of Korea	1.750%	5/26/19	2,000	1,977
Pacific Gas & Electric Co.	2.950%	3/1/26	130	115	International Bank for Reconstruction & Development	4.750%	2/15/35	2,000	2,435
Pacific Gas & Electric Co.	6.050%	3/1/34	385	416	8 Japan Bank for International Cooperation	2.250%	2/24/20	1,190	1,178
Pacific Gas & Electric Co.	5.800%	3/1/37	1,416	1,477	8 Japan Bank for International Cooperation	2.125%	6/1/20	882	869
Pacific Gas & Electric Co.	6.350%	2/15/38	80	86	8 Japan Bank for International Cooperation	2.125%	7/21/20	1,100	1,082
Pacific Gas & Electric Co.	6.250%	3/1/39	385	420	9 Japan Treasury Discount Bill	0.000%	7/17/18	250,000	2,258
Pacific Gas & Electric Co.	5.400%	1/15/40	2,050	2,066	9 Japan Treasury Discount Bill	0.000%	7/23/18	250,000	2,258
Pacific Gas & Electric Co.	5.125%	11/15/43	600	589	9 Japan Treasury Discount Bill	0.000%	7/30/18	250,000	2,258
Pacific Gas & Electric Co.	4.750%	2/15/44	150	142	4 Kingdom of Saudi Arabia	2.375%	10/26/21	850	816
Pacific Gas & Electric Co.	4.300%	3/15/45	79	71	4 Kingdom of Saudi Arabia	2.875%	3/4/23	1,340	1,289
Pacific Gas & Electric Co.	4.000%	12/1/46	270	232	4 Kingdom of Saudi Arabia	4.000%	4/17/25	1,245	1,237
Pacific Gas & Electric Co.	3.950%	12/1/47	430	367	Korea Development Bank	2.875%	8/22/18	255	255

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Korea Development Bank	2.500%	3/11/20	2,000	1,974
4 Mexico City Airport Trust	5.500%	7/31/47	745	663
4 Petroleos Mexicanos	6.350%	2/12/48	990	903
Province of Ontario	2.500%	4/27/26	2,150	2,037
Province of Quebec	2.500%	4/20/26	3,820	3,633
4 Sinopec Group Overseas Development 2015 Ltd.	2.500%	4/28/20	1,615	1,581
4 Sinopec Group Overseas Development 2015 Ltd.	3.250%	4/28/25	1,615	1,530
4 Sinopec Group Overseas Development 2017 Ltd.	3.000%	4/12/22	850	830
4 State Grid Overseas Investment 2014 Ltd.	2.750%	5/7/19	1,305	1,300
4 State Grid Overseas Investment 2016 Ltd.	2.750%	5/4/22	1,550	1,503
4 State Grid Overseas Investment 2016 Ltd.	3.500%	5/4/27	775	739
4 State of Qatar	5.250%	1/20/20	1,665	1,715
4 State of Qatar	2.375%	6/2/21	1,590	1,534
4 State of Qatar	3.875%	4/23/23	1,985	1,984
4 State of Qatar	5.103%	4/23/48	820	816
Statoil ASA	2.250%	11/8/19	580	575
Statoil ASA	2.900%	11/8/20	1,410	1,407
Statoil ASA	2.750%	11/10/21	850	838
Statoil ASA	2.650%	1/15/24	360	345
Statoil ASA	3.700%	3/1/24	640	645
Statoil ASA	3.250%	11/10/24	795	784
4 Temasek Financial I Ltd.	2.375%	1/23/23	1,130	1,081
United Mexican States	4.000%	10/2/23	342	342
United Mexican States	4.750%	3/8/44	170	159

Total Sovereign Bonds (Cost \$50,460) 49,904

Taxable Municipal Bonds (1.6%)

Atlanta GA Downtown Development Authority Revenue	6.875%	2/1/21	190	202
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.263%	4/1/49	685	952
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	7.043%	4/1/50	1,025	1,499
California GO	5.700%	11/1/21	265	288
California GO	7.500%	4/1/34	155	218
California GO	7.550%	4/1/39	740	1,091
California GO	7.300%	10/1/39	300	425
California GO	7.350%	11/1/39	2,000	2,847
California GO	7.625%	3/1/40	35	52
California GO	7.600%	11/1/40	790	1,188
Chicago IL Metropolitan Water Reclamation District GO	5.720%	12/1/38	215	266
Chicago IL O'Hare International Airport Revenue	6.845%	1/1/38	530	559
Chicago IL O'Hare International Airport Revenue	6.395%	1/1/40	425	563
Chicago IL Transit Authority Sales Tax Receipts Revenue	6.200%	12/1/40	50	62
Chicago IL Transit Authority Transfer ax Receipts Revenue	6.899%	12/1/40	1,560	2,030
Chicago IL Transit Authority	6.899%	12/1/40	695	904
Dallas TX Area Rapid Transit Revenue	5.999%	12/1/44	750	973
Georgia Municipal Electric Power Authority Revenue	6.637%	4/1/57	1,406	1,778
Grand Parkway Transportation Corp.				
Texas System Toll Revenue	5.184%	10/1/42	1,015	1,194
Houston TX GO	6.290%	3/1/32	550	633

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Illinois Finance Authority	4.545%	10/1/18	810	813
Illinois GO	5.100%	6/1/33	1,235	1,169
Illinois Toll Highway Authority Revenue	6.184%	1/1/34	750	936
10 Kansas Development Finance Authority Revenue (Public Employees Retirement System)	5.501%	5/1/34	2,000	2,291
Los Angeles CA Community College District GO	6.750%	8/1/49	405	590
Los Angeles CA Unified School District GO	5.750%	7/1/34	1,400	1,697
Maryland Transportation Authority Facilities Projects Revenue	5.888%	7/1/43	545	700
Massachusetts School Building Authority Dedicated Sales Tax Revenue	5.715%	8/15/39	1,000	1,224
New Jersey Turnpike Authority Revenue	7.414%	1/1/40	410	596
New Jersey Turnpike Authority Revenue	7.102%	1/1/41	600	844
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.790%	6/15/41	115	121
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.882%	6/15/44	80	104
New York Metropolitan Transportation Authority Revenue	6.814%	11/15/40	150	201
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	7.336%	11/15/39	325	475
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	6.089%	11/15/40	445	568
New York State Urban Development Corp. Revenue	2.100%	3/15/22	3,040	2,987
North Texas Tollway Authority System Revenue	6.718%	1/1/49	1,555	2,208
Oregon Department of Transportation Highway User Tax Revenue	5.834%	11/15/34	655	807
Oregon GO	5.902%	8/1/38	490	602
10 Oregon School Boards Association GO	5.528%	6/30/28	2,000	2,245
Port Authority of New York & New Jersey Revenue	5.859%	12/1/24	325	373
Port Authority of New York & New Jersey Revenue	6.040%	12/1/29	265	320
Port Authority of New York & New Jersey Revenue	4.458%	10/1/62	1,175	1,248
Port Authority of New York & New Jersey Revenue	4.810%	10/15/65	640	720
Regents of the University of California Revenue	3.063%	7/1/25	1,280	1,246
San Antonio TX Electric & Gas Systems Revenue	5.985%	2/1/39	305	399
University of California Regents Medical Center Revenue	6.548%	5/15/48	295	397
University of California Regents Medical Center Revenue	6.583%	5/15/49	765	1,025
University of California Revenue	4.601%	5/15/31	590	636
University of California Revenue	5.770%	5/15/43	1,010	1,246
University of California Revenue	4.765%	5/15/44	145	154
University of California Revenue	3.931%	5/15/45	570	570

Total Taxable Municipal Bonds (Cost \$42,386) 47,236

Balanced Portfolio

	Coupon	Shares	Market Value* (\$000)
Temporary Cash Investments (3.0%)			
Money Market Fund (0.0%)			
¹¹ Vanguard Market Liquidity Fund	2.122%	61	6
		Face Amount (\$000)	
		Maturity Date	
Repurchase Agreement (2.9%)			
RBS Securities, Inc. (Dated 6/29/18, Repurchase Value \$83,215,000, collateralized by U.S. Treasury Note/Bond, 1.750%–4.750%, 10/31/20–2/15/37, with a value of \$84,867,000)			
	2.100%	7/2/18	83,200
U.S. Government and Agency Obligations (0.1%)			
United States Treasury Bill	2.299%	6/20/19	2,600
Total Temporary Cash Investments (Cost \$85,749)			85,749
Total Investments (100.3%) (Cost \$2,415,176)			2,846,261
			Amount (\$000)
Other Assets and Liabilities (-0.3%)			
Other Assets			
Investment in Vanguard			151
Receivables for Investment Securities Sold			10,008
Receivables for Accrued Income			10,178
Receivables for Capital Shares Issued			1,640
Variation Margin Receivable—Futures Contracts			3
Unrealized Appreciation—Forward Currency Contracts			175
Other Assets ¹²			2,130
Total Other Assets			24,285
Liabilities			
Payables for Investment Securities Purchased			(24,431)
Payables for Capital Shares Redeemed			(6,067)
Payables to Investment Advisor			(340)
Payables to Vanguard			(2,327)
Variation Margin Payable—Futures Contracts			(1)
Other Liabilities			(302)
Total Liabilities			(33,468)
Net Assets (100%)			
Applicable to 124,902,365 outstanding \$.001 par value shares of interest (unlimited authorization)			
			2,837,078
Net Asset Value Per Share			\$22.71

At June 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	2,275,249
Undistributed Net Investment Income	36,870
Accumulated Net Realized Gains	94,062
Unrealized Appreciation (Depreciation)	
Investment Securities	431,085
Futures Contracts	(364)
Forward Currency Contracts	175
Foreign Currencies	1
Net Assets	2,837,078

• See Note A in Notes to Financial Statements.

* 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 Includes securities purchased on a when-issued or delayed-delivery basis for which the portfolio has not taken delivery as of June 30, 2018.

4 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, 2018, the aggregate value of these securities was \$154,941,000, representing 5.5% of net assets.

5 Adjustable-rate security based upon 3-month USD LIBOR plus spread.

6 Adjustable-rate security based upon 1-month USD LIBOR plus spread.

7 Adjustable-rate security.

8 Guaranteed by the Government of Japan.

9 Face amount denominated in Japanese yen.

10 Scheduled principal and interest payments are guaranteed by AGM (Assured Guaranty Municipal Corporation).

11 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

12 Cash of \$346,000 has been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

GDR—Global Depositary Receipt.

GO—General Obligation Bond.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
5-Year U.S. Treasury Note	September 2018	36	4,090	9
Short Futures Contracts				
10-Year U.S. Treasury Note	September 2018	(168)	(20,192)	(170)
2-Year U.S. Treasury Note	September 2018	(61)	(12,922)	(8)
Ultra Long U.S. Treasury Bond	September 2018	(48)	(7,659)	(195)
				(373)
				(364)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) (\$000)
			Receive		Deliver	
J.P. Morgan	7/17/18	USD	2,343	JPY	250,000	82
UBS A.G.	7/23/18	USD	2,318	JPY	250,000	56
Barclays Bank	7/30/18	USD	2,300	JPY	250,000	37
						175

JPY—Japanese yen.

USD—U.S. dollar.

Unrealized appreciation (depreciation) on open forward currency contracts is treated as realized gain (loss) for tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018 (\$000)
Investment Income	
Income	
Dividends ¹	26,835
Interest	15,598
Securities Lending—Net	92
Total Income	42,525
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	753
Performance Adjustment	(43)
The Vanguard Group—Note C	
Management and Administrative	2,210
Marketing and Distribution	205
Custodian Fees	30
Shareholders' Reports	14
Trustees' Fees and Expenses	2
Total Expenses	3,171
Net Investment Income	39,354
Realized Net Gain (Loss)	
Investment Securities Sold	94,650
Futures Contracts	1,738
Forward Currency Contracts	(827)
Foreign Currencies	27
Realized Net Gain (Loss)	95,588
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(169,210)
Futures Contracts	(456)
Forward Currency Contracts	232
Foreign Currencies	(20)
Change in Unrealized Appreciation (Depreciation)	(169,454)
Net Increase (Decrease) in Net Assets Resulting from Operations	(34,512)

¹ Dividends are net of foreign withholding taxes of \$765,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018 (\$000)	Year Ended December 31, 2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	39,354	67,553
Realized Net Gain (Loss)	95,588	145,360
Change in Unrealized Appreciation (Depreciation)	(169,454)	162,749
Net Increase (Decrease) in Net Assets Resulting from Operations	(34,512)	375,662
Distributions		
Net Investment Income	(68,274)	(62,751)
Realized Capital Gain ¹	(144,148)	(98,841)
Total Distributions	(212,422)	(161,592)
Capital Share Transactions		
Issued	138,024	292,273
Issued in Lieu of Cash Distributions	212,422	161,592
Redeemed	(208,802)	(279,856)
Net Increase (Decrease) from Capital Share Transactions	141,644	174,009
Total Increase (Decrease)	(105,290)	388,079
Net Assets		
Beginning of Period	2,942,368	2,554,289
End of Period²	2,837,078	2,942,368

¹ Includes fiscal 2018 and 2017 short-term gain distributions totaling \$13,477,000 and \$8,278,000, 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 \$36,870,000 and \$64,880,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$24.80	\$23.03	\$22.32	\$23.99	\$23.66	\$20.70
Investment Operations						
Net Investment Income	.321 ¹	.582 ¹	.581	.576	.569	.540
Net Realized and Unrealized Gain (Loss) on Investments	(.599)	2.648	1.713	(.548)	1.613	3.450
Total from Investment Operations	(.278)	3.230	2.294	.028	2.182	3.990
Distributions						
Dividends from Net Investment Income	(.582)	(.567)	(.576)	(.570)	(.555)	(.550)
Distributions from Realized Capital Gains	(1.230)	(.893)	(1.008)	(1.128)	(1.297)	(.480)
Total Distributions	(1.812)	(1.460)	(1.584)	(1.698)	(1.852)	(1.030)
Net Asset Value, End of Period	\$22.71	\$24.80	\$23.03	\$22.32	\$23.99	\$23.66
Total Return	-1.19%	14.72%	11.01%	0.09%	9.84%	19.88%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$2,837	\$2,942	\$2,554	\$2,312	\$2,334	\$2,089
Ratio of Total Expenses to Average Net Assets ²	0.22%	0.23%	0.23%	0.23%	0.25%	0.27%
Ratio of Net Investment Income to Average Net Assets	2.75%	2.49%	2.66%	2.53%	2.50%	2.52%
Portfolio Turnover Rate ³	41%	28%	33%	45%	70%	31%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 Includes performance-based investment advisory fee increases (decreases) of (0.00%), (0.00%), (0.01%), 0.00%, 0.00%, and 0.00%.

3 Includes 2%, 0%, 0%, 14%, 15%, and 19% attributable to mortgage-dollar-roll activity.

Notes to Financial Statements

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 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 futures gains (losses).

During the six months ended June 30, 2018, the portfolio's average investments in long and short futures contracts represented less than 1% and 2% of net assets, respectively, based on the average of the notional amounts 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, 2018, 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, 2014–2017), and for the period ended June 30, 2018, 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 before the opening of the market 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, 2018, 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, 2018, the investment advisory fee represented an effective annual basic rate of 0.05% of the portfolio's average net assets before a decrease of \$43,000 (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. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$151,000, representing 0.01% of the portfolio's net assets and 0.06% 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.

Balanced Portfolio

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). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	1,598,359	244,433	—
U.S. Government and Agency Obligations	—	172,209	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	41,990	—
Corporate Bonds	—	606,381	—
Sovereign Bonds	—	49,904	—
Taxable Municipal Bonds	—	47,236	—
Temporary Cash Investments	6	85,743	—
Futures Contracts—Assets ¹	3	—	—
Futures Contracts—Liabilities ¹	(1)	—	—
Forward Currency Contracts—Assets	—	175	—
Total	1,598,367	1,248,071	—

¹ Represents variation margin on the last day of the reporting period.

E. At June 30, 2018, 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)
Variation Margin Receivable—Futures Contracts	3	—	3
Unrealized Appreciation—Forward Currency Contracts	—	175	175
Total Assets	3	175	178
Variation Margin Payable—Futures Contracts	(1)	—	(1)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2018, were:

	Interest Rate Contracts (\$000)	Currency Contracts (\$000)	Total (\$000)
Realized Net Gain (Loss) on Derivatives			
Futures Contracts	1,738	—	1,738
Forward Currency Contracts	—	(827)	(827)
Realized Net Gain (Loss) on Derivatives	1,738	(827)	911
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Futures Contracts	(456)	—	(456)
Forward Currency Contracts	—	232	232
Change in Unrealized Appreciation (Depreciation) on Derivatives	(456)	232	(224)

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, 2018, the cost of investment securities for tax purposes was \$2,415,732,000. Net unrealized appreciation of investment securities for tax purposes was \$430,529,000, consisting of unrealized gains of \$468,556,000 on securities that had risen in value since their purchase and \$38,027,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2018, the portfolio purchased \$437,435,000 of investment securities and sold \$423,793,000 of investment securities, other than U.S. government securities and temporary cash investments. Purchases and sales of U.S. government securities were \$163,900,000 and \$143,853,000, respectively.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	5,775	12,418
Issued in Lieu of Cash Distributions	9,268	7,227
Redeemed	(8,774)	(11,942)
Net Increase (Decrease) in Shares Outstanding	6,269	7,703

At June 30, 2018, 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 79% 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 events or transactions occurred subsequent to June 30, 2018, 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, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
Balanced Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$988.10	\$1.08
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.70	1.10

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 0.22%. 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 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 in the Performance Summary section of this report.

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 expense ratio appears in the About Your Portfolio's Expenses section as well as in the Financial Statements section, which also includes information about the portfolio's advisory fee rate.

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.

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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 208 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) of the Children's Hospital of Philadelphia.

Independent Trustees

Emerson U. Fullwood

Born in 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). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. 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 University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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 in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its 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. 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 in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) 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 in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 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.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Peter F. Volanakis

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). 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 in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard and global head of Fund Administration at Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG LLP (audit, tax, and advisory services).

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

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

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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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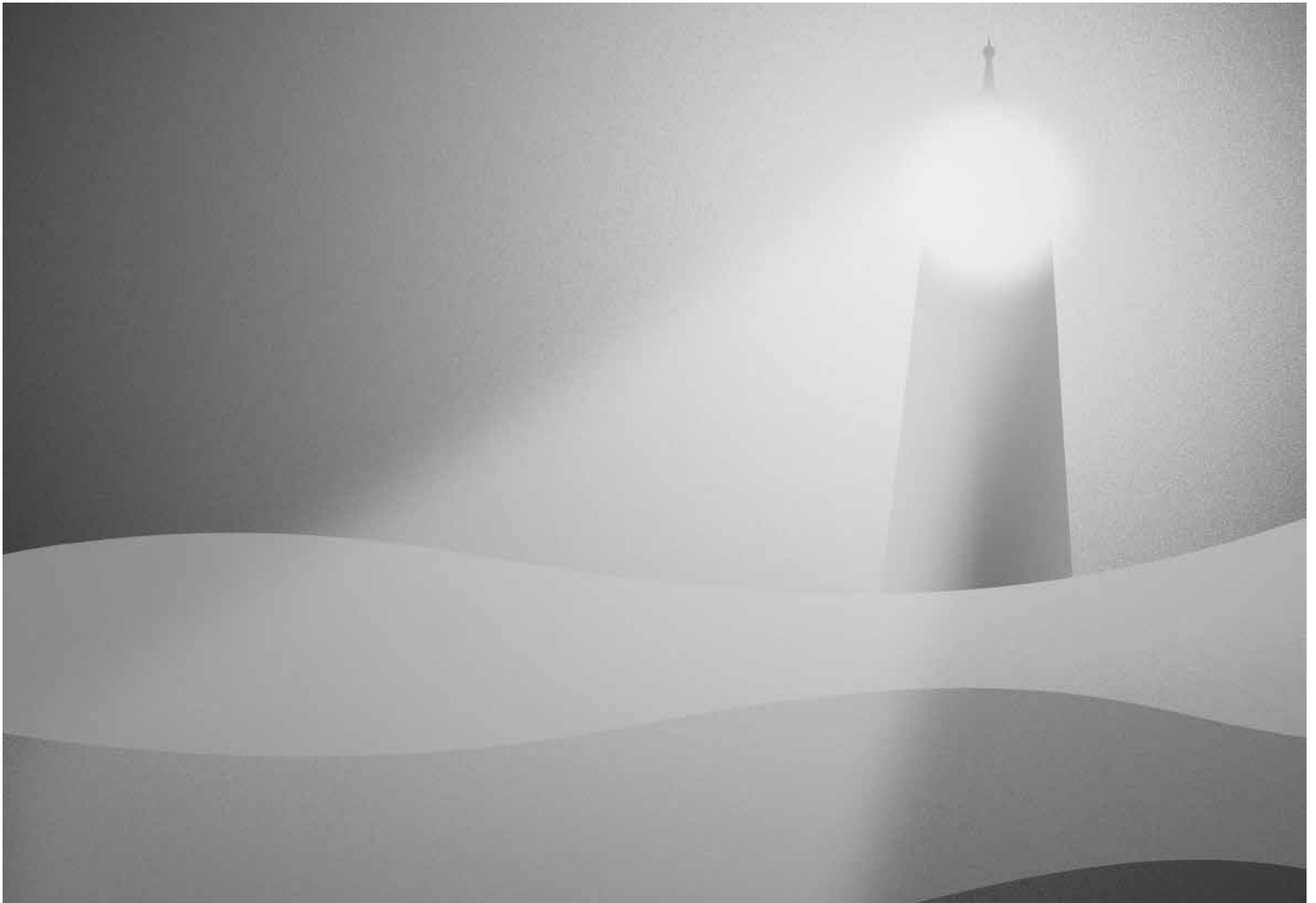
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Q692B 082018



Semiannual Report | June 30, 2018

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.

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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: Nautical images have been part of Vanguard’s rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mortimer J. Buckley
President and Chief Executive Officer
July 13, 2018

Market Perspective

U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

¹ Annualized.

High Yield Bond Portfolio

Advisor's Report

The investment environment

For the six months ended June 30, 2018, the High Yield Bond Portfolio returned -1.05%, compared with the benchmark return of -0.48%. 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 were hurt by rising interest rates and widening credit spreads amid a backdrop of political uncertainty in Europe and escalating tensions between the United States and its trading partners. Monetary policy continued on an incrementally less accommodative path as the Federal Reserve increased interest rates twice during the period and projected two more hikes later this year. The 10-year U.S. Treasury yield finished the period at 2.86%, up from 2.41% at the end of December 2017 as stronger inflation data and the potential impact of trade tariffs increased inflation expectations. This dynamic weighed on bond prices, because bond yields and prices generally move in opposite directions.

Corporate credit spreads widened, further pressuring bond prices, as concerns about the impact of protectionist U.S. trade policies on global growth offset generally solid corporate earnings. The spread of the high-yield market widened to 363 basis points over Treasuries as of June 30, from 343 basis points at the end of 2017. (A basis point is one-hundredth of a percentage point.) The average price of high-yield bonds decreased \$3, to \$98.

There was some dispersion in performance by credit quality over the period. The high-yield market continued to favor relatively lower-credit-quality bonds amid the insatiable search for yield. CCC-rated bonds performed best, returning 3.17%, according to Bloomberg Barclays U.S. Corporate High Yield Bond Index data. Higher-rated BB-rated bonds returned -1.77%; B-rated bonds returned 0.86%.

We remain positive about high-yield bonds given the backdrop of stable corporate fundamentals, a supportive macroeconomic landscape, and strong demand for yield-producing assets. We expect U.S. GDP growth in 2018, driven by consumer

spending and corporate investment, and believe that most high-yield companies will be able to sustain solid credit profiles in that environment. Although global political risks remain, valuations appear reasonable relative to our outlook, particularly given our expectation for a benign default rate in 2018. Moody's trailing 12-month global issuer-weighted speculative-grade default rate ended May at 3.1%, 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.

Prevailing global political uncertainty and escalating trade tensions may contribute to periods of volatility. However, most of the high-yield companies in our opportunity set operate in domestically focused industries. Because we remain positive about conditions in the United States, we favor issuers expected to benefit from a growing domestic economy. The tax legislation enacted last year provides fiscal stimulus at a time of full employment, which could further spur GDP growth. We have seen benefits from the law in corporate earnings results, and we expect this to provide a bigger boost over the second half of the year.

The tax law will affect companies differently depending on their current tax rate, leverage profile, and other factors, so we expect there to be winners and losers among individual high-yield issuers. We will continue to take an issuer-specific approach to investing in the high-yield market. Longer term, we believe the law could have the overall net effect of reducing corporate debt issuance, a supply reduction that could support bond prices.

Total Returns

	Six Months Ended June 30, 2018
High Yield Bond Portfolio	-1.05%
High-Yield Corporate Composite Index ¹	-0.48
Variable Insurance High Yield Funds Average ²	-0.21

Expense Ratios³

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance High Yield Funds Average
High Yield Bond Portfolio	0.28%	0.87%

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 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, 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 2017.

The portfolio's shortfalls

Positioning and security selection within the wireline sector and the cable and satellite sector detracted from relative returns.

Security selection within autos also hurt.

The portfolio's successes

The portfolio benefited from an overweight allocation to and positive credit selection in health care and energy, as well as positive credit selection among retail 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 to provide stable income. We continue to diversify the portfolio's holdings by issuer and industry. We also 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 18, 2018

Portfolio Profile

As of June 30, 2018

Financial Attributes

	Portfolio	Comparative Index ¹	Broad Index ²
Number of Bonds	484	1,817	1,991
Yield ³	5.6%	5.8%	6.5%
Yield to Maturity	6.2% ⁴	6.0%	6.7%
Average Coupon	5.9%	5.9%	6.4%
Average Effective Maturity	6.1 years	5.4 years	5.4 years
Average Duration	4.5 years	4.0 years	3.9 years
Expense Ratio ⁵	0.28%	—	—
Short-Term Reserves	6.7%	—	—

Volatility Measures

	Portfolio Versus Comparative Index ¹	Portfolio Versus Broad Index ²
R-Squared	0.97	0.94
Beta	0.91	0.74

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	5.4%
1–5 Years	27.7
5–10 Years	58.4
10–20 Years	3.2
20–30 Years	2.9
Over 30 Years	2.4

Sector Diversification⁶ (% of portfolio)

Basic Industry	6.7%
Capital Goods	9.9
Communication	21.0
Consumer Cyclical	10.8
Consumer Non-Cyclical	12.4
Energy	14.0
Finance	10.5
Technology	8.1
Transportation	0.8
Treasury/Agency	0.2
Utilities	1.8
Other	3.8

Distribution by Credit Quality (% of portfolio)

Baa	3.2%
Ba	46.5
B	42.0
Caa	7.2
Ca	0.3
C	0.6
Not Rated	0.2

Investment Focus

Average Maturity	Short	Med.	Long
Credit Quality Treasury/Agency			
Investment-Grade Corporate			
Below Investment-Grade			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

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.

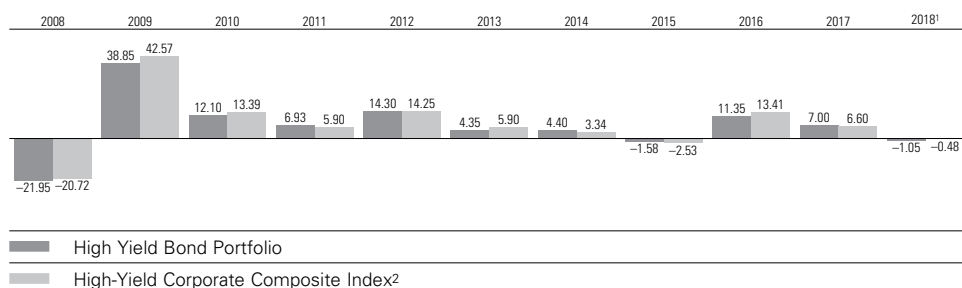
⁵ The portfolio expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the portfolio's annualized expense ratio was 0.27%.

⁶ The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2007–June 30, 2018



Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years		
				Capital	Income	Total
High Yield Bond Portfolio	6/3/1996	0.93%	4.92%	0.35%	6.38%	6.73%

¹ Six months ended June 30, 2018.

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, 2018

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)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Corporate Bonds (93.3%)					Real Estate Investment Trusts (0.2%)				
Finance (10.6%)					Felcor Lodging LP				
Banking (3.3%)					3	Starwood Property Trust Inc.	4.750%	3/15/25	40
									76,841
					Industrial (81.2%)				
					Basic Industry (6.5%)				
						AK Steel Corp.	7.625%	10/1/21	355
						AK Steel Corp.	7.500%	7/15/23	2,395
						AK Steel Corp.	6.375%	10/15/25	300
						AK Steel Corp.	7.000%	3/15/27	2,420
					3	Alliance Resource Operating Partners LP / Alliance Resource Finance Corp.	7.500%	5/1/25	2,823
						ArcelorMittal	6.125%	6/1/25	670
						Chemours Co.	6.625%	5/15/23	1,327
						Chemours Co.	7.000%	5/15/25	2,640
						Chemours Co.	5.375%	5/15/27	625
					3	Commercial Metals Co.	5.750%	4/15/26	815
						Commercial Metals Co.	5.375%	7/15/27	565
					3	Constellium NV	5.750%	5/15/24	1,085
					3	Constellium NV	6.625%	3/1/25	2,485
					3,6	Constellium NV	4.250%	2/15/26	120
					3	Constellium NV	5.875%	2/15/26	260
					3,6	CTC BondCo GmbH	5.250%	12/15/25	425
					3	First Quantum Minerals Ltd.	7.000%	2/15/21	1,820
					3	First Quantum Minerals Ltd.	7.250%	5/15/22	1,580
					3	First Quantum Minerals Ltd.	6.500%	3/1/24	710
					3	First Quantum Minerals Ltd.	6.875%	3/1/26	585
					3	FMG Resources August 2006 Pty Ltd.	4.750%	5/15/22	635
					3	FMG Resources August 2006 Pty Ltd.	5.125%	3/15/23	1,980
					3	FMG Resources August 2006 Pty Ltd.	5.125%	5/15/24	610
						Graphic Packaging International Inc.	4.125%	8/15/24	1,125
					3	New Gold Inc.	6.250%	11/15/22	1,149
					3	New Gold Inc.	6.375%	5/15/25	910
					3	Novelis Corp.	6.250%	8/15/24	1,580
					3	Novelis Corp.	5.875%	9/30/26	2,335
						Olin Corp.	5.125%	9/15/27	1,685
						Olin Corp.	5.000%	2/1/30	325
						Steel Dynamics Inc.	5.125%	10/1/21	1,320
						Steel Dynamics Inc.	5.500%	10/1/24	1,275
						Steel Dynamics Inc.	4.125%	9/15/25	70
						Steel Dynamics Inc.	5.000%	12/15/26	270
						Teck Resources Ltd.	3.750%	2/1/23	295
					3	Teck Resources Ltd.	8.500%	6/1/24	1,395
						Teck Resources Ltd.	6.125%	10/1/35	235
						Teck Resources Ltd.	6.000%	8/15/40	200
						Teck Resources Ltd.	6.250%	7/15/41	645
						Teck Resources Ltd.	5.200%	3/1/42	150
						Teck Resources Ltd.	5.400%	2/1/43	1,450
					3	Tronox Finance plc	5.750%	10/1/25	30
					3	Tronox Inc.	6.500%	4/15/26	1,265
						United States Steel Corp.	7.375%	4/1/20	1,034
						United States Steel Corp.	6.650%	6/1/37	460
					3	Versum Materials Inc.	5.500%	9/30/24	640
					Capital Goods (9.9%)				
					3	American Builders & Contractors Supply Co. Inc.	5.875%	5/15/26	1,840
					3	ARD Finance SA	7.125%	9/15/23	1,140
									1,137

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
ARD Finance SA	7.125%	9/15/23	655	653	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	252
³ Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,415	1,468	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	367
³ Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	6.000%	2/15/25	3,365	3,264	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	396
^{3,7} Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	202	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	2,953
³ Ashtead Capital Inc.	4.125%	8/15/25	1,325	1,236	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,159
³ Ashtead Capital Inc.	4.375%	8/15/27	1,545	1,437	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	145	145
³ Ball Corp.	4.875%	3/15/26	2,815	2,804	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,141	2,071
³ Beacon Escrow Corp.	4.875%	11/1/25	2,285	2,102	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,421
³ Berry Global Inc.	4.500%	2/15/26	1,420	1,324	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,386	1,341
³ Bombardier Inc.	7.750%	3/15/20	2,350	2,482	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	445	434
³ Bombardier Inc.	6.125%	1/15/23	1,588	1,592	³ Cequel Communications Holdings I LLC / Cequel Capital Corp.	5.125%	12/15/21	1,935	1,925
³ Bombardier Inc.	7.500%	3/15/25	1,412	1,470	Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,191	1,251
³ CD&R Waterworks Merger Sub LLC	6.125%	8/15/25	160	152	^{2,4} Crown Finance US Inc. Bank Loan	4.593%	2/22/25	3,681	3,654
³ Cemex Finance LLC	6.000%	4/1/24	290	294	CSC Holdings LLC	6.750%	11/15/21	1,735	1,817
³ Cemex SAB de CV	6.125%	5/5/25	3,580	3,620	³ CSC Holdings LLC	5.500%	4/15/27	2,230	2,130
³ Cemex SAB de CV	7.750%	4/16/26	735	795	DISH DBS Corp.	6.750%	6/1/21	3,805	3,805
Clean Harbors Inc.	5.250%	8/1/20	1,592	1,596	DISH DBS Corp.	5.875%	7/15/22	4,046	3,783
Clean Harbors Inc.	5.125%	6/1/21	2,033	2,041	DISH DBS Corp.	5.000%	3/15/23	1,384	1,201
CNH Industrial NV	4.500%	8/15/23	765	768	DISH DBS Corp.	5.875%	11/15/24	2,405	2,032
³ Crown Americas LLC / Crown Americas Capital Corp. VI	4.750%	2/1/26	710	674	DISH DBS Corp.	7.750%	7/1/26	3,610	3,154
^{3,6} Crown European Holdings SA	2.875%	2/1/26	1,555	1,716	Embarq Corp.	7.995%	6/1/36	720	679
³ Flex Acquisition Co. Inc.	6.875%	1/15/25	3,770	3,638	Gannett Co. Inc.	6.375%	10/15/23	1,150	1,182
³ Jeld-Wen Inc.	4.625%	12/15/25	345	329	³ Gannett Co. Inc.	5.500%	9/15/24	320	322
³ Jeld-Wen Inc.	4.875%	12/15/27	350	325	³ Gray Television Inc.	5.125%	10/15/24	1,751	1,672
Lennar Corp.	4.750%	11/29/27	1,285	1,198	³ Gray Television Inc.	5.875%	7/15/26	1,170	1,110
^{3,6} Loxam SAS	4.250%	4/15/24	190	230	Lamar Media Corp.	5.750%	2/1/26	170	173
^{3,6} Loxam SAS	6.000%	4/15/25	185	228	Level 3 Financing Inc.	5.375%	8/15/22	2,515	2,515
³ OI European Group BV	4.000%	3/15/23	660	615	Level 3 Financing Inc.	5.625%	2/1/23	870	870
³ Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	904	Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,098
³ Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	364	Liberty Interactive LLC	8.500%	7/15/29	1,465	1,573
PulteGroup Inc.	5.500%	3/1/26	1,245	1,232	Liberty Interactive LLC	8.250%	2/1/30	3,945	4,132
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	955	955	Netflix Inc.	5.500%	2/15/22	980	1,004
³ Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	2,240	2,212	Netflix Inc.	5.875%	2/15/25	1,495	1,532
³ Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	449	Netflix Inc.	4.375%	11/15/26	215	202
³ Standard Industries Inc.	5.500%	2/15/23	295	300	Nokia Oyj	4.375%	6/12/27	1,165	1,090
³ Standard Industries Inc.	5.375%	11/15/24	1,385	1,368	³ Numericable Group SA	6.000%	5/15/22	1,575	1,585
³ Standard Industries Inc.	6.000%	10/15/25	4,295	4,311	Quebecor Media Inc.	5.750%	1/15/23	2,635	2,691
³ Standard Industries Inc.	5.000%	2/15/27	495	462	Qwest Corp.	6.875%	9/15/33	481	456
³ Standard Industries Inc.	4.750%	1/15/28	1,025	940	³ Sinclair Television Group Inc.	5.625%	8/1/24	200	199
TransDigm Inc.	6.500%	7/15/24	1,600	1,624	³ Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,685
TransDigm Inc.	6.500%	5/15/25	2,635	2,665	³ Sinclair Television Group Inc.	5.125%	2/15/27	1,975	1,817
TransDigm Inc.	6.375%	6/15/26	1,250	1,241	^{2,4,5} Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	1,470	1,466
United Rentals North America Inc.	4.625%	7/15/23	840	838	^{2,4,5} Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	150	150
United Rentals North America Inc.	5.750%	11/15/24	600	610	^{2,4,5} Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	150	150
United Rentals North America Inc.	5.500%	7/15/25	1,025	1,033	³ Sirius XM Radio Inc.	4.625%	5/15/23	390	382
United Rentals North America Inc.	4.625%	10/15/25	1,665	1,590	Sprint Capital Corp.	6.875%	11/15/28	4,575	4,381
United Rentals North America Inc.	5.875%	9/15/26	1,215	1,227	Sprint Capital Corp.	8.750%	3/15/32	2,315	2,477
United Rentals North America Inc.	5.500%	5/15/27	2,125	2,061	³ Sprint Communications Inc.	7.000%	3/1/20	2,285	2,371
United Rentals North America Inc.	4.875%	1/15/28	2,095	1,946	Sprint Communications Inc.	6.000%	11/15/22	325	322
³ USG Corp.	5.500%	3/1/25	263	271	Sprint Corp.	7.875%	9/15/23	9,159	9,502
³ USG Corp.	4.875%	6/1/27	1,430	1,462	Sprint Corp.	7.125%	6/15/24	2,101	2,111
Communication (19.4%)					Sprint Corp.	7.625%	2/15/25	1,625	1,657
³ Altice Financing SA	6.625%	2/15/23	1,365	1,341	T-Mobile USA Inc.	5.375%	4/15/27	3,155	3,084
³ Altice France SA	6.250%	5/15/24	550	534	Telecom Italia Capital SA	6.375%	11/15/33	381	374
³ Altice France SA	7.375%	5/1/26	1,150	1,123	Telecom Italia Capital SA	6.000%	9/30/34	1,005	957
³ Altice Luxembourg SA	7.625%	2/15/25	1,200	1,104	Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,386
³ Altice US Finance I Corp.	5.500%	5/15/26	2,500	2,406					
Belo Corp.	7.750%	6/1/27	920	977					
Belo Corp.	7.250%	9/15/27	616	634					

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
3 Telenet Finance Luxembourg Notes Sarl	5.500%	3/1/28	3,600	3,287
Time Warner Cable LLC	5.875%	11/15/40	60	59
Time Warner Cable LLC	5.500%	9/1/41	1,523	1,417
Tribune Media Co.	5.875%	7/15/22	1,945	1,952
3 Univision Communications Inc.	5.125%	5/15/23	550	529
3 Univision Communications Inc.	5.125%	2/15/25	6,040	5,572
3 UPCB Finance IV Ltd.	5.375%	1/15/25	800	756
1 Viacom Inc.	5.875%	2/28/57	1,933	1,827
1 Viacom Inc.	6.250%	2/28/57	944	899
Videotron Ltd.	5.000%	7/15/22	3,763	3,810
3 Videotron Ltd.	5.375%	6/15/24	260	266
3 Virgin Media Finance plc	6.000%	10/15/24	945	907
3 Virgin Media Secured Finance plc	5.500%	1/15/25	1,210	1,174
3 Virgin Media Secured Finance plc	5.250%	1/15/26	2,527	2,334
3 Virgin Media Secured Finance plc	5.500%	8/15/26	355	333
3 VTR Finance BV	6.875%	1/15/24	2,720	2,737
3 WMG Acquisition Corp.	5.000%	8/1/23	740	734
3 WMG Acquisition Corp.	4.875%	11/1/24	1,105	1,076
3 WMG Acquisition Corp.	5.500%	4/15/26	2,461	2,430
WPX Energy Inc.	5.750%	6/1/26	370	370
Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,369
Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,674	1,699
3 Zayo Group LLC / Zayo Capital Inc.	5.750%	1/15/27	445	437
Consumer Cyclical (9.8%)				
3 1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	1,755	1,667
3 1011778 BC ULC / New Red Finance Inc.	5.000%	10/15/25	2,795	2,641
3 Adient Global Holdings Ltd.	4.875%	8/15/26	4,475	4,027
3 APX Group Inc.	8.875%	12/1/22	4,155	4,145
2,4 Bass Pro Group, LLC Bank Loan	7.094%	12/15/23	1,920	1,925
Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Op	5.375%	4/15/27	775	763
Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp.	5.375%	6/1/24	835	843
3,6 CIRSA Gaming Co.	6.250%	12/20/23	1,310	1,508
3 CRC Escrow Issuer LLC / CRC Finco Inc.	5.250%	10/15/25	4,686	4,434
Dana Holding Corp.	5.500%	12/15/24	1,055	1,042
GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	105
GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,692
GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,796
Goodyear Tire & Rubber Co.	5.000%	5/31/26	1,614	1,505
Goodyear Tire & Rubber Co.	4.875%	3/15/27	3,278	2,991
Group 1 Automotive Inc.	5.000%	6/1/22	1,285	1,277
3 GW Honors Security Corp.	8.750%	5/15/25	1,385	1,420
3 Hanesbrands Inc.	4.625%	5/15/24	730	714
3 Hanesbrands Inc.	4.875%	5/15/26	735	713
Hilton Domestic Operating Co. Inc.	4.250%	9/1/24	1,770	1,682
3 Hilton Domestic Operating Co. Inc.	5.125%	5/1/26	2,570	2,519
Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.625%	4/1/25	3,025	2,942
Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.875%	4/1/27	1,870	1,798
KB Home	4.750%	5/15/19	830	833
KB Home	7.000%	12/15/21	230	242
KB Home	7.500%	9/15/22	215	229
KB Home	7.625%	5/15/23	1,300	1,385
3 KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	805
3 KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	859
3 KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	935	884
3 L Brands Inc.	6.694%	1/15/27	1,287	1,232
L Brands Inc.	5.250%	2/1/28	1,301	1,151
Lennar Corp.	4.125%	1/15/22	1,015	1,005

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Lennar Corp.	4.875%	12/15/23	625	620
Lennar Corp.	4.500%	4/30/24	2,825	2,719
Lennar Corp.	5.875%	11/15/24	140	145
Lennar Corp.	5.250%	6/1/26	270	263
Lennar Corp.	5.000%	6/15/27	1,245	1,189
3 LHMC Finco Sarl	7.875%	12/20/23	1,720	1,686
Meritage Homes Corp.	5.125%	6/6/27	505	470
Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,483
Penske Automotive Group Inc.	5.375%	12/1/24	1,113	1,096
3 PetSmart Inc.	5.875%	6/1/25	325	250
PulteGroup Inc.	5.000%	1/15/27	130	124
Service Corp. International	8.000%	11/15/21	1,225	1,367
Service Corp. International	5.375%	1/15/22	905	913
Service Corp. International	4.625%	12/15/27	205	193
3 Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	449
3 Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	447
Toll Brothers Finance Corp.	4.875%	11/15/25	295	284
Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	1,840
William Lyon Homes Inc.	7.000%	8/15/22	450	458
William Lyon Homes Inc.	5.875%	1/31/25	1,415	1,330
Consumer Noncyclical (12.4%)				
Aramark Services Inc.	5.125%	1/15/24	975	975
3 Aramark Services Inc.	5.000%	4/1/25	1,400	1,393
Aramark Services Inc.	4.750%	6/1/26	580	560
3 Aramark Services Inc.	5.000%	2/1/28	1,465	1,399
3 Catalent Pharma Solutions Inc.	4.875%	1/15/26	435	418
3 Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	2,000	1,880
3 Charles River Laboratories International Inc.	5.500%	4/1/26	310	310
CHS/Community Health Systems Inc.	5.125%	8/1/21	525	487
CHS/Community Health Systems Inc.	6.875%	2/1/22	3,964	2,032
CHS/Community Health Systems Inc.	6.250%	3/31/23	3,450	3,161
3 CHS/Community Health Systems Inc.	8.125%	6/30/24	1,503	1,240
3 Coty Inc.	6.500%	4/15/26	740	709
3,6 Darling Global Finance BV	3.625%	5/15/26	395	462
3,6 Diamond BC BV	5.625%	8/15/25	3,020	3,158
2,3 Endo Dac / Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,219
3 Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,985	2,455
3,6 Energizer Gamma Acquisition BV	4.625%	7/15/26	1,450	1,708
3 Energizer Gamma Acquisition Inc.	6.375%	7/15/26	1,280	1,301
3 Envision Healthcare Corp.	5.125%	7/1/22	1,341	1,351
Envision Healthcare Corp.	5.625%	7/15/22	1,561	1,588
HCA Inc.	6.250%	2/15/21	870	903
HCA Inc.	5.875%	3/15/22	1,850	1,929
HCA Inc.	4.750%	5/1/23	2,100	2,095
HCA Inc.	5.375%	2/1/25	1,368	1,347
HCA Inc.	5.250%	4/15/25	1,500	1,507
HCA Inc.	7.690%	6/15/25	130	143
HCA Inc.	5.875%	2/15/26	1,900	1,917
HCA Inc.	5.250%	6/15/26	975	970
Hologic Inc.	4.625%	2/1/28	570	537
3 inVentiv Group Holdings Inc/inVentiv Health Inc/inVentiv Health Clinical Inc.	7.500%	10/1/24	477	503
3 Kinetic Concepts Inc / KCI USA Inc.	7.875%	2/15/21	1,570	1,597
3 Lamb Weston Holdings Inc.	4.625%	11/1/24	1,040	1,011
3 Lamb Weston Holdings Inc.	4.875%	11/1/26	1,040	1,019
2,4 Lands' End, Inc. Bank Loan	5.344%	3/12/21	2,888	2,771
3 MEDNAX Inc.	5.250%	12/1/23	580	568
3 MPH Acquisition Holdings LLC	7.125%	6/1/24	1,590	1,630
3 Polaris Intermediate Corp.	8.500%	12/1/22	2,565	2,645
3 Post Holdings Inc.	5.500%	3/1/25	795	778
3 Post Holdings Inc.	5.000%	8/15/26	4,100	3,818
3 Post Holdings Inc.	5.750%	3/1/27	970	941
3 Post Holdings Inc.	5.625%	1/15/28	2,720	2,550

High Yield Bond Portfolio

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
3	Quintiles IMS Inc.	5.000%	10/15/26	1,330	1,295
3	Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	756
	Revlon Consumer Products Corp.	5.750%	2/15/21	570	425
	Revlon Consumer Products Corp.	6.250%	8/1/24	2,130	1,172
2.4	Revlon Consumer Products Corp.				
	Bank Loan	5.594%	9/7/23	176	136
2.4	Revlon Consumer Products Corp.				
	Bank Loan	5.594%	9/7/23	597	462
2.4	Revlon Consumer Products Corp.				
	Bank Loan	5.594%	9/7/23	4	3
3	Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,915	1,956
3	Sterigenics-Nordion Topco LLC	8.125%	11/1/21	725	736
	Tenet Healthcare Corp.	4.750%	6/1/20	835	840
	Tenet Healthcare Corp.	4.500%	4/1/21	932	923
	Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,458
3	Tenet Healthcare Corp.	4.625%	7/15/24	279	265
	Teva Pharmaceutical Finance IV LLC	2.250%	3/18/20	2,065	1,991
3	TreeHouse Foods Inc.	6.000%	2/15/24	1,800	1,840
3	Valeant Pharmaceuticals International Inc.	6.500%	3/15/22	620	642
3	Valeant Pharmaceuticals International Inc.	7.000%	3/15/24	1,390	1,456
3	Valeant Pharmaceuticals International Inc.	5.500%	11/1/25	945	931
3	Valeant Pharmaceuticals International Inc.	9.000%	12/15/25	815	847
3	Valeant Pharmaceuticals International Inc.	9.250%	4/1/26	520	541
3	Valeant Pharmaceuticals International Inc.	8.500%	1/31/27	510	516
3	VRX Escrow Corp.	6.125%	4/15/25	4,950	4,542
3	West Street Merger Sub Inc.	6.375%	9/1/25	4,050	3,888
Energy (13.5%)					
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,369
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,395	1,355
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	601
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,647
	Andeavor Logistics LP / Tesoro Logistics Finance Corp.	6.375%	5/1/24	1,280	1,365
	Andeavor Logistics LP / Tesoro Logistics Finance Corp.	5.250%	1/15/25	1,510	1,546
	Antero Resources Corp.	5.125%	12/1/22	1,445	1,449
	Cheniere Corpus Christi Holdings LLC	5.125%	6/30/27	1,233	1,222
	Chesapeake Energy Corp.	8.000%	6/15/27	3,125	3,180
	Continental Resources Inc.	5.000%	9/15/22	3,354	3,404
	Continental Resources Inc.	4.500%	4/15/23	2,280	2,317
3	DCP Midstream LLC	9.750%	3/15/19	450	469
3	DCP Midstream LLC	5.350%	3/15/20	335	342
	DCP Midstream Operating LP	2.700%	4/1/19	600	594
3	DCP Midstream Operating LP	4.750%	9/30/21	597	603
	DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,452
	DCP Midstream Operating LP	3.875%	3/15/23	801	774
	DCP Midstream Operating LP	5.600%	4/1/44	875	826
	Diamondback Energy Inc.	4.750%	11/1/24	175	170
	Diamondback Energy Inc.	5.375%	5/31/25	1,430	1,423
	Energy Transfer Equity LP	7.500%	10/15/20	2,460	2,623
	Energy Transfer Equity LP	4.250%	3/15/23	2,430	2,339
	Energy Transfer Equity LP	5.875%	1/15/24	1,656	1,697
	Energy Transfer Equity LP	5.500%	6/1/27	3,592	3,592
	Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,560	2,342
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	1/15/22	474	427
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	6/15/23	769	669
	Laredo Petroleum Inc.	5.625%	1/15/22	2,107	2,075
	Laredo Petroleum Inc.	6.250%	3/15/23	2,158	2,147
	Matador Resources Co.	6.875%	4/15/23	3,090	3,233

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
3	MEG Energy Corp.	6.375%	1/30/23	850	791
3	MEG Energy Corp.	7.000%	3/31/24	1,439	1,338
3	MEG Energy Corp.	6.500%	1/15/25	2,850	2,843
	Newfield Exploration Co.	5.625%	7/1/24	600	632
3	NGPL PipeCo LLC	4.375%	8/15/22	400	396
3	NGPL PipeCo LLC	4.875%	8/15/27	475	469
3	Noble Holding International Ltd.	7.875%	2/1/26	460	474
3	Parsley Energy LLC / Parsley Finance Corp.	5.375%	1/15/25	1,344	1,334
3	Parsley Energy LLC / Parsley Finance Corp.	5.250%	8/15/25	190	187
	QEP Resources Inc.	6.800%	3/1/20	220	225
	QEP Resources Inc.	6.875%	3/1/21	913	973
	QEP Resources Inc.	5.375%	10/1/22	1,270	1,295
	QEP Resources Inc.	5.250%	5/1/23	1,262	1,240
3	Rockies Express Pipeline LLC	7.500%	7/15/38	1,134	1,338
3	Rockies Express Pipeline LLC	6.875%	4/15/40	420	480
	RSP Permian Inc.	5.250%	1/15/25	900	959
	Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,341
	SESI LLC	7.125%	12/15/21	990	1,007
	SESI LLC	7.750%	9/15/24	1,045	1,074
	SM Energy Co.	6.500%	11/15/21	100	102
	SM Energy Co.	6.125%	11/15/22	935	956
	SM Energy Co.	6.500%	1/1/23	75	76
	SM Energy Co.	5.000%	1/15/24	1,994	1,874
	SM Energy Co.	5.625%	6/1/25	1,651	1,593
	SM Energy Co.	6.750%	9/15/26	720	722
3	Southern Star Central Corp.	5.125%	7/15/22	480	480
	Southwestern Energy Co.	6.700%	1/23/25	2,693	2,632
	Southwestern Energy Co.	7.750%	10/1/27	591	613
3	Sunoco LP / Sunoco Finance Corp.	5.500%	2/15/26	780	739
3	Sunoco LP / Sunoco Finance Corp.	5.875%	3/15/28	490	462
3	Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	5.500%	1/15/28	1,845	1,813
1.3	Transocean Guardian Ltd.	5.875%	1/15/24	1,015	1,011
1.3	Transocean Phoenix 2 Ltd.	7.750%	10/15/24	200	214
1.3	Transocean Proteus Ltd.	6.250%	12/1/24	735	740
3	Vine Oil & Gas LP / Vine Oil & Gas Finance Corp.	8.750%	4/15/23	1,915	1,767
	Weatherford International Ltd.	7.000%	3/15/38	517	408
	Weatherford International Ltd.	6.750%	9/15/40	1,918	1,510
	Weatherford International Ltd.	5.950%	4/15/42	1,970	1,460
3	Whiting Petroleum Corp.	6.625%	1/15/26	180	185
	Whiting Petroleum Corp.	6.625%	1/15/26	3,101	3,186
	Williams Cos. Inc.	7.875%	9/1/21	450	500
	Williams Cos. Inc.	3.700%	1/15/23	1,550	1,496
	Williams Cos. Inc.	4.550%	6/24/24	1,554	1,554
	Williams Cos. Inc.	5.750%	6/24/44	1,200	1,238
	WPX Energy Inc.	6.000%	1/15/22	732	759
	WPX Energy Inc.	5.250%	9/15/24	3,734	3,678
Other Industrial (0.7%)					
3	Brand Energy & Infrastructure Services Inc.	8.500%	7/15/25	3,222	3,262
2.4	HD Supply Waterworks LTD. Bank Loan	5.211%	8/1/24	143	143
2.4	HD Supply Waterworks LTD. Bank Loan	5.300%	8/1/24	126	126
3	KAR Auction Services Inc.	5.125%	6/1/25	1,295	1,237
Technology (8.3%)					
	Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,402
	Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,602	2,680
3	Camelot Finance SA	7.875%	10/15/24	1,882	1,903
	CDK Global Inc.	5.875%	6/15/26	615	628
	CDK Global Inc.	4.875%	6/1/27	585	562
	CDW LLC / CDW Finance Corp.	5.000%	9/1/23	985	990
	CDW LLC / CDW Finance Corp.	5.500%	12/1/24	485	496
	CDW LLC / CDW Finance Corp.	5.000%	9/1/25	760	749
	Equinix Inc.	5.375%	4/1/23	680	694

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Equinix Inc.	5.875%	1/15/26	370	374
⁶ Equinix Inc.	2.875%	2/1/26	3,115	3,425
Equinix Inc.	5.375%	5/15/27	1,350	1,347
³ First Data Corp.	5.375%	8/15/23	2,265	2,285
³ First Data Corp.	7.000%	12/1/23	5,235	5,451
³ First Data Corp.	5.000%	1/15/24	1,500	1,487
³ First Data Corp.	5.750%	1/15/24	4,651	4,663
^{2,4} First Data Corp. Bank Loan	4.091%	7/8/22	566	563
Infor US Inc.	6.500%	5/15/22	3,060	3,072
Iron Mountain Inc.	5.750%	8/15/24	1,032	1,017
³ Iron Mountain Inc.	4.875%	9/15/27	1,245	1,147
^{2,4} Microchip Technology Inc. Bank Loan	4.100%	5/24/25	1,115	1,115
³ MSCI Inc.	5.250%	11/15/24	395	399
³ MSCI Inc.	5.750%	8/15/25	1,560	1,607
³ MSCI Inc.	4.750%	8/1/26	510	495
NCR Corp.	4.625%	2/15/21	1,555	1,543
NCR Corp.	5.000%	7/15/22	600	594
NCR Corp.	6.375%	12/15/23	455	469
Nokia Oyj	6.625%	5/15/39	3,550	3,723
³ Open Text Corp.	5.625%	1/15/23	1,070	1,099
³ Open Text Corp.	5.875%	6/1/26	1,345	1,375
Pitney Bowes Inc.	4.700%	4/1/23	2,060	1,846
³ Sensata Technologies BV	5.625%	11/1/24	575	598
³ Sensata Technologies BV	5.000%	10/1/25	1,625	1,637
³ Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,581
^{2,4} SS&C Technologies Holdings Inc. Bank Loan	4.593%	4/16/25	651	651
^{2,4} SS&C Technologies Holdings Inc. Bank Loan	4.593%	4/16/25	1,721	1,721
³ Symantec Corp.	5.000%	4/15/25	2,065	1,995
^{3,7} Vantiv LLC / Vanity Issuer Corp.	3.875%	11/15/25	1,355	1,691
³ Vantiv LLC / Vanity Issuer Corp.	4.375%	11/15/25	1,275	1,213
Transportation (0.7%)				
³ Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.125%	6/1/22	1,876	1,838
Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,328	2,258
³ Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	715	699
³ Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.250%	3/15/25	630	575
			587,716	
Utilities (1.5%)				
Electric (1.5%)				
AES Corp.	4.500%	3/15/23	1,385	1,371
AES Corp.	4.875%	5/15/23	600	600
AES Corp.	5.500%	4/15/25	150	151
AES Corp.	6.000%	5/15/26	30	31
AES Corp.	5.125%	9/1/27	2,115	2,110
³ NextEra Energy Operating Partners LP	4.250%	9/15/24	645	621
³ NextEra Energy Operating Partners LP	4.500%	9/15/27	700	654
NRG Energy Inc.	6.250%	7/15/22	1,544	1,588
NRG Energy Inc.	6.250%	5/1/24	2,456	2,527
NRG Energy Inc.	7.250%	5/15/26	1,425	1,518
			11,171	
Total Corporate Bonds (Cost \$691,027)				675,728

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Sovereign Bonds (0.2%)				
³ DAE Funding LLC	4.500%	8/1/22	825	795
³ DAE Funding LLC	5.000%	8/1/24	850	814
Total Sovereign Bonds (Cost \$1,675)				1,609
Shares				
Common Stocks (0.2%)				
Utilities (0.2%)				
*.8 Homer City Generation LP (Cost \$1,287)			62,633	1,287
			Face Amount (\$000)	
Temporary Cash Investment (6.7%)				
Repurchase Agreement (6.7%)				
Bank of America Securities, LLC (Dated 6/29/18, Repurchase Value \$48,408,000, collateralized by Federal Home Loan Mortgage Corp., 4.500%, 5/1/48, and Federal National Mortgage Assn., 4.000%, 12/1/47, with a value of \$49,368,000) (Cost \$48,400)				
	2.090%	7/2/18	48,400	48,400
Total Investments (100.4%) (Cost \$742,389)				727,024
Amount (\$000)				
Other Assets and Liabilities (-0.4%)				
Other Assets				
Investment in Vanguard				39
Receivables for Investment Securities Sold				69
Receivables for Accrued Income				10,259
Receivables for Capital Shares Issued				279
Variation Margin Receivable—CC Swap Contracts				33
Unrealized Appreciation—Forward Currency Contracts				13
Other Assets ⁹				1,310
Total Other Assets				12,002
Liabilities				
Payables for Investment Securities Purchased				(13,653)
Payables to Investment Advisor				(109)
Payables for Capital Shares Redeemed				(612)
Payables to Vanguard				(679)
Unrealized Depreciation—Forward Currency Contracts				(44)
Total Liabilities				(15,097)
Net Assets (100%)				
Applicable to 94,551,547 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)				723,929
Net Asset Value Per Share				\$7.66

At June 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	726,932
Undistributed Net Investment Income	19,872
Accumulated Net Realized Losses	(7,421)
Unrealized Appreciation (Depreciation)	
Investment Securities	(15,365)
Swap Contracts	(44)
Forward Currency Contracts	(31)
Foreign Currencies	(14)
Net Assets	723,929

• See Note A in Notes to Financial Statements.

* 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 Adjustable-rate security based upon 3-month USD LIBOR plus spread.

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, 2018, the aggregate value of these securities was \$279,933,000, representing 38.7% of net assets.

4 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, 2018, the aggregate value of these securities was \$19,265,000, representing 2.7% of net assets.

5 Security purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of June 30, 2018.

6 Face amount denominated in euro.

7 Face amount denominated in British pounds.

8 Security value determined using significant unobservable inputs.

9 Cash of \$1,065,000 has been segregated as initial margin for open cleared swap contracts.

CC—Centrally Cleared.

Derivative Financial Instruments Outstanding as of Period End

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) (\$000)
			Receive		Deliver	
UBS AG	7/31/18	USD	11,093	EUR	9,511	(39)
J.P. Morgan Securities LLC	7/31/18	USD	1,967	GBP	1,479	13
BNP Paribas	7/31/18	USD	1,348	EUR	1,155	(4)
Credit Suisse International	7/31/18	USD	772	EUR	660	—
UBS AG	7/31/18	USD	292	EUR	249	—
Barclays Bank plc	7/31/18	USD	237	EUR	203	(1)
BNP Paribas	7/31/18	USD	120	EUR	102	—
						(31)

EUR—euro.

GBP—British pound.

USD—U.S. dollar.

Unrealized appreciation (depreciation) on open forward currency contracts is treated as ordinary income for tax purposes.

Centrally Cleared Credit Default Swaps

Reference Entity	Termination Date	Notional Amount (000)		Periodic Premium Received	Value (\$000)	Unrealized Appreciation (Depreciation)
				(Paid) ¹ (%)		(\$000)
Credit Protection Sold						
CDX-NA-HY-S30-V1	6/20/23	USD	21,000	5.000	1,256	(44)

The notional amount represents the maximum potential amount the fund could be required to pay as a seller of credit protection if the reference entity was subject to a credit event.

¹ Periodic premium received/paid quarterly.

USD—U.S. dollar.

Unrealized appreciation (depreciation) on open swap contracts is generally treated the same for financial reporting and tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018 (\$000)
Investment Income	
Income	
Interest	20,524
Total Income	20,524
Expenses	
Investment Advisory Fees—Note B	222
The Vanguard Group—Note C	
Management and Administrative	695
Marketing and Distribution	65
Custodian Fees	10
Shareholders' Reports	4
Trustees' Fees and Expenses	1
Total Expenses	997
Net Investment Income	19,527
Realized Net Gain (Loss)	
Investment Securities Sold	2,800
Swap Contracts	304
Forward Currency Contracts	496
Foreign Currencies	5
Realized Net Gain (Loss)	3,605
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(31,299)
Swap Contracts	(153)
Forward Currency Contracts	66
Foreign Currencies	(15)
Change in Unrealized Appreciation (Depreciation)	(31,401)
Net Increase (Decrease) in Net Assets Resulting from Operations	(8,269)

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018 (\$000)	Year Ended December 31, 2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	19,527	35,653
Realized Net Gain (Loss)	3,605	1,606
Change in Unrealized Appreciation (Depreciation)	(31,401)	7,428
Net Increase (Decrease) in Net Assets Resulting from Operations	(8,269)	44,687
Distributions		
Net Investment Income	(35,316)	(31,351)
Realized Capital Gain	—	—
Total Distributions	(35,316)	(31,351)
Capital Share Transactions		
Issued	62,454	177,943
Issued in Lieu of Cash Distributions	35,316	31,351
Redeemed	(82,509)	(92,546)
Net Increase (Decrease) from Capital Share Transactions	15,261	116,748
Total Increase (Decrease)	(28,324)	130,084
Net Assets		
Beginning of Period	752,253	622,169
End of Period ¹	723,929	752,253

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$19,872,000 and \$34,631,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$8.13	\$7.99	\$7.59	\$8.14	\$8.24	\$8.33
Investment Operations						
Net Investment Income	.207 ¹	.419 ¹	.397	.427	.416	.458
Net Realized and Unrealized Gain (Loss) on Investments	(.293)	.119	.426	(.541)	(.061)	(.108)
Total from Investment Operations	(.086)	.538	.823	(.114)	.355	.350
Distributions						
Dividends from Net Investment Income	(.384)	(.398)	(.423)	(.423)	(.455)	(.440)
Distributions from Realized Capital Gains	—	—	—	(.013)	—	—
Total Distributions	(.384)	(.398)	(.423)	(.436)	(.455)	(.440)
Net Asset Value, End of Period	\$7.66	\$8.13	\$7.99	\$7.59	\$8.14	\$8.24
Total Return	-1.05%	7.00%	11.35%	-1.58%	4.40%	4.35%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$724	\$752	\$622	\$521	\$534	\$509
Ratio of Total Expenses to Average Net Assets	0.27%	0.28%	0.28%	0.28%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.33%	5.22%	5.44%	5.41%	5.24%	5.51%
Portfolio Turnover Rate	27%	28%	27%	38%	35%	37%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

¹ Calculated based on average shares outstanding.

Notes to Financial Statements

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. 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, 2018, the portfolio's average investment in forward currency contracts represented 2% 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, 2018, the portfolio's average amounts of investments in credit protection sold and credit protection purchased represented 3% 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, 2014–2017), and for the period ended June 30, 2018, 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, 2018, or at any time during the period then ended.

9. Other: Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the six months ended June 30, 2018, 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. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$39,000, 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). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Corporate Bonds	—	675,728	—
Sovereign Bonds	—	1,609	—
Common Stocks	—	—	1,287
Temporary Cash Investments	—	48,400	—
Forward Currency Contracts—Assets	—	13	—
Forward Currency Contracts—Liabilities	—	(44)	—
Swap Contracts—Assets ¹	33	—	—
Total	33	725,706	1,287

¹ Represents variation margin on the last day of the reporting period.

E. At June 30, 2018, 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)
Variation Margin Receivable—Swap Contracts	—	33	33
Unrealized Appreciation—Forward Currency Contracts	13	—	13
Total Assets	13	33	46
Unrealized Depreciation—Forward Currency Contracts	(44)	—	(44)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2018, were:

	Foreign Exchange Contracts (\$000)	Credit Contracts (\$000)	Total (\$000)
Realized Net Gain (Loss) on Derivatives			
Forward Currency Contracts	496	—	496
Swap Contracts	—	304	304
Realized Net Gain (Loss) on Derivatives	496	304	800
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	66	—	66
Swap Contracts	—	(153)	(153)
Change in Unrealized Appreciation (Depreciation) on Derivatives	66	(153)	(87)

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, 2018, the portfolio realized net foreign currency gains of \$534,000 (including gains and losses on forward currency contracts and the foreign currency component on sales of foreign currency denominated bonds), which increased distributable net income for tax purposes; accordingly, such gains have been reclassified from accumulated net realized losses to undistributed net investment income.

Realized and unrealized gains (losses) on certain of the portfolio's swap contracts are treated as ordinary income (loss) for tax purposes; the effect on the portfolio's income dividends to shareholders is offset by a change in principal return. Realized gains of \$496,000 on swap contracts have been reclassified from accumulated net realized losses to undistributed net investment income.

The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at December 31, 2017, the portfolio had available capital losses totaling \$9,794,000 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, 2018; should the portfolio realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At June 30, 2018, the cost of investment securities for tax purposes was \$742,389,000. Net unrealized depreciation of investment securities for tax purposes was \$15,365,000, consisting of unrealized gains of \$7,513,000 on securities that had risen in value since their purchase and \$22,878,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2018, the portfolio purchased \$102,516,000 of investment securities and sold \$87,949,000 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, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	7,836	22,124
Issued in Lieu of Cash Distributions	4,616	4,066
Redeemed	(10,447)	(11,491)
Net Increase (Decrease) in Shares Outstanding	2,005	14,699

At June 30, 2018, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 47% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no events or transactions occurred subsequent to June 30, 2018, 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, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
High Yield Bond Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$989.48	\$1.33
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 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 in the Performance Summary section of this report.

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 in the About Your Portfolio's Expenses section as well as in the Financial Statements section, which also includes information about the portfolio's advisory fee rate.

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.

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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 208 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) of the Children's Hospital of Philadelphia.

Independent Trustees

Emerson U. Fullwood

Born in 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). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. 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 University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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 in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its 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. 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 in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) 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 in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 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.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Peter F. Volanakis

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). 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 in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard and global head of Fund Administration at Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG LLP (audit, tax, and advisory services).

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

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

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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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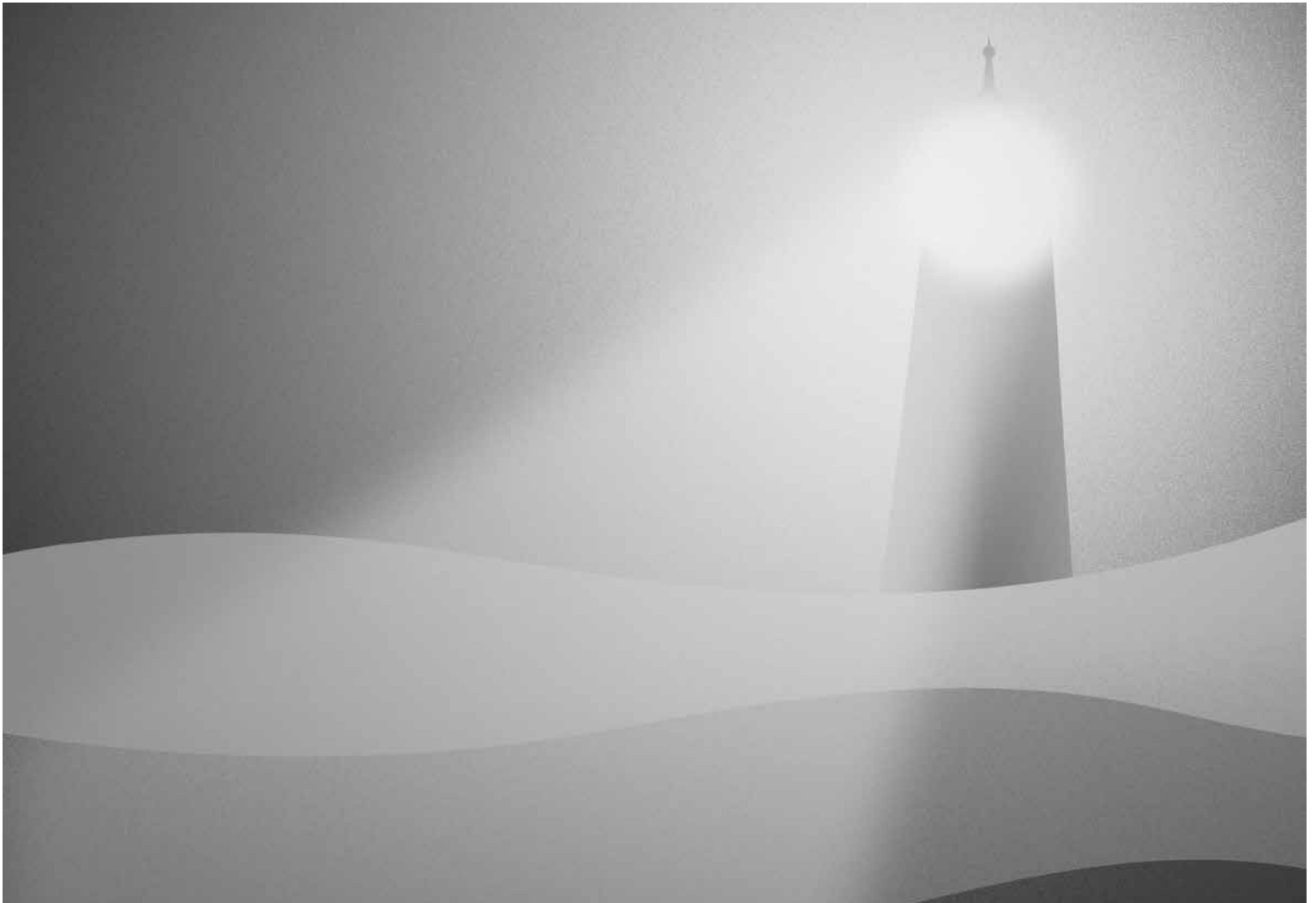


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Q692HY 082018



Semiannual Report | June 30, 2018

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.

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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: Nautical images have been part of Vanguard’s rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long, sweeping tail on the last name.

Mortimer J. Buckley
President and Chief Executive Officer
July 13, 2018

Market Perspective

U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

¹ Annualized.

Mid-Cap Index Portfolio

U.S. stocks posted small gains in the first half of 2018 as the economy continued to grow, more people found jobs, and corporate earnings improved.

For the six months ended June 30, 2018, the Mid-Cap Index Portfolio returned 2.50%, in line with its benchmark index and more than a percentage point 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.

Sector returns varied although most were positive

The 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, small-cap stocks outpaced mid- and large-caps, and growth stocks outperformed their value counterparts.

Six of the ten sectors in the portfolio posted gains. Technology, telecommunications, and oil and gas posted the strongest results. Returns were more modest but still positive for health care, utilities, and consumer services stocks.

Basic materials, consumer goods, financials, and industrials were in negative territory. Financials were held back by uncertainty relating to U.S.-China trade tensions and reduced market volatility at the end of the period. A flattening yield curve also weighed on returns for financials.

Total Returns

	Six Months Ended June 30, 2018
Mid-Cap Index Portfolio	2.50%
CRSP US Mid Cap Index	2.60
Variable Insurance Mid-Cap Core Funds Average ¹	1.34

Expense Ratios²

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Mid-Cap Core Funds Average
Mid-Cap Index Portfolio	0.19%	0.81%

¹ Derived from data provided by Lipper, a Thomson Reuters Company.

² The portfolio expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Mid-Cap Index Portfolio's annualized expense ratio was 0.18%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Portfolio Profile

As of June 30, 2018

Portfolio Characteristics

	Portfolio	Target Index ¹	Broad Index ²
Number of Stocks	361	356	3,779
Median Market Cap	\$15.0B	\$15.0B	\$64.0B
Price/Earnings Ratio	21.3x	21.3x	20.7x
Price/Book Ratio	2.7x	2.7x	3.0x
Yield ³	1.4%	1.5%	1.8%
Return on Equity	12.2%	12.2%	15.0%
Earnings Growth Rate	9.2%	9.2%	8.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate ⁴	20%	—	—
Expense Ratio ⁵	0.19%	—	—
Short-Term Reserves	0.0%	—	—

Volatility Measures

	Portfolio Versus Target Index ¹	Portfolio Versus Broad Index ²
R-Squared	1.00	0.93
Beta	1.00	0.98

Sector Diversification (% of equity exposure)

	Portfolio	Target Index ¹	Broad Index ²
Basic Materials	3.9%	3.9%	2.5%
Consumer Goods	10.5	10.5	8.1
Consumer Services	10.0	10.0	13.3
Financials	21.6	21.6	19.9
Health Care	8.6	8.6	12.6
Industrials	17.7	17.7	12.7
Oil & Gas	6.9	6.9	6.1
Technology	15.3	15.3	20.1
Telecommunications	0.6	0.6	1.8
Utilities	4.9	4.9	2.9

Ten Largest Holdings⁶ (% of total net assets)

Edwards Lifesciences Corp.	Medical Supplies	0.7%
ServiceNow Inc.	Computer Services	0.7
Fiserv Inc.	Financial Administration	0.7
Twitter Inc.	Internet	0.7
Autodesk Inc.	Software	0.7
ONEOK Inc.	Pipelines	0.7
Roper Technologies Inc.	Electronic Equipment	0.7
Moody's Corp.	Specialty Finance	0.7
Amphenol Corp.	Electrical Components & Equipment	0.6
Align Technology Inc.	Medical Supplies	0.6
Top Ten		6.8%

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 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.

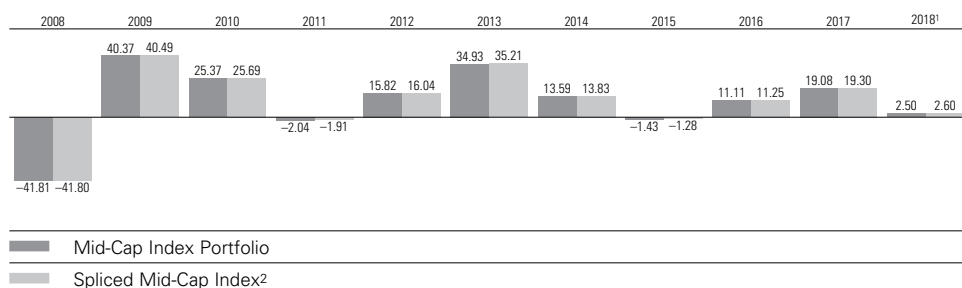
⁵ The expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Mid-Cap Index Portfolio's annualized expense ratio was 0.18%.

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, 2007–June 30, 2018



Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years
Mid-Cap Index Portfolio	2/9/1999	11.94%	12.16%	9.96%

¹ Six months ended June 30, 2018.

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, 2018

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)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (99.4%)¹								
Basic Materials (3.8%)			Harley-Davidson Inc.	73,083	3,075	Wyndham Hotels & Resorts Inc.	43,859	2,580
Freeport-McMoRan Inc.	604,793	10,439	Jefferies Financial Group Inc.	128,660	2,926	* Copart Inc.	43,326	2,451
Newmont Mining Corp.	234,476	8,842	Coty Inc. Class A	197,848	2,790	* ^ Discovery Communications Inc. Class A	70,159	1,929
Celanese Corp. Class A	59,698	6,630	* WABCO Holdings Inc.	23,558	2,757	* Liberty Media Corp-Liberty SiriusXM Class A	38,461	1,733
Eastman Chemical Co.	56,462	5,644	* ^ Under Armour Inc. Class A	83,592	1,879	* DISH Network Corp. Class A	47,744	1,605
FMC Corp.	59,110	5,273	Ingredion Inc.	16,010	1,772	Hyatt Hotels Corp. Class A	18,407	1,420
Albemarle Corp.	48,669	4,591	* Under Armour Inc.	81,632	1,721	* TripAdvisor Inc.	23,424	1,305
CF Industries Holdings Inc.	102,546	4,553	Goodyear Tire & Rubber Co.	53,592	1,248	Rollins Inc.	21,567	1,134
International Flavors & Fragrances Inc.	34,685	4,300	Lennar Corp. Class B	6,899	294	Wyndham Destinations Inc.	22,289	987
Mosaic Co.	152,424	4,275	* Pilgrim's Pride Corp.	10,963	221	Altice USA Inc. Class A	55,398	945
Avery Dennison Corp.	38,683	3,950	Mattel Inc.	8	—	Viacom Inc. Class A	4,664	165
* Axalta Coating Systems Ltd.	96,989	2,940			191,279	News Corp. Class B	3,475	55
Reliance Steel & Aluminum Co.	30,271	2,650	Consumer Services (10.0%)					182,309
Steel Dynamics Inc.	49,345	2,267	* Dollar Tree Inc.	104,725	8,902	Financials (21.5%)		
* Alcoa Corp.	41,113	1,927	Best Buy Co. Inc.	105,545	7,872	Moody's Corp.	71,798	12,246
Westlake Chemical Corp.	17,155	1,846	Royal Caribbean Cruises Ltd.	74,434	7,711	Digital Realty Trust Inc.	90,660	10,116
		70,127	Wynn Resorts Ltd.	42,939	7,186	M&T Bank Corp.	57,551	9,792
Consumer Goods (10.4%)			Ross Stores Inc.	83,521	7,078	KeyCorp	467,641	9,138
Dr Pepper Snapple Group Inc.	79,327	9,678	Tiffany & Co.	51,859	6,825	Willis Towers Watson plc	58,046	8,800
Clorox Co.	57,031	7,713	Expedia Group Inc.	54,317	6,528	Regions Financial Corp.	494,767	8,797
Lennar Corp. Class A	126,754	6,655	MGM Resorts International	220,183	6,392	* SBA Communications Corp. Class A	50,608	8,356
DR Horton Inc.	157,527	6,459	* Ultra Beauty Inc.	25,256	5,896	Citizens Financial Group Inc.	212,975	8,285
McCormick & Co. Inc.	53,292	6,187	Darden Restaurants Inc.	54,399	5,824	* IHS Markit Ltd.	158,515	8,178
Conagra Brands Inc.	172,927	6,179	* CarlMax Inc.	78,235	5,701	Hartford Financial Services Group Inc.	157,718	8,064
* Mohawk Industries Inc.	27,941	5,987	Kohl's Corp.	73,949	5,391	Huntington Bancshares Inc.	486,062	7,174
* Take-Two Interactive Software Inc.	50,262	5,949	Macy's Inc.	134,642	5,040	* E*TRADE Financial Corp.	115,986	7,094
Tapestry Inc.	126,457	5,907	Nielsen Holdings plc	156,494	4,840	Essex Property Trust Inc.	29,098	6,956
Church & Dwight Co. Inc.	107,856	5,734	Chipotle Mexican Grill Inc. Class A	10,991	4,741	Host Hotels & Resorts Inc.	326,631	6,882
Genuine Parts Co.	61,257	5,623	Viacom Inc. Class B	154,650	4,664	First Republic Bank	71,036	6,876
Molson Coors Brewing Co. Class B	81,636	5,554	* Norwegian Cruise Line Holdings Ltd.	88,862	4,199	Comerica Inc.	75,558	6,870
* Lululemon Athletica Inc.	44,260	5,526	Advance Auto Parts Inc.	30,901	4,193	* CBRE Group Inc. Class A	141,804	6,770
Lear Corp.	29,112	5,409	* Qurate Retail Group Inc. QVC Group Class A	193,499	4,106	Realty Income Corp.	124,981	6,723
Aptiv plc	58,128	5,326	Tractor Supply Co.	53,630	4,102	* SVB Financial Group	23,279	6,722
JM Smucker Co.	47,419	5,097	Aramark	108,204	4,014	Principal Financial Group Inc.	126,160	6,680
PVH Corp.	33,863	5,070	Interpublic Group of Cos. Inc.	169,345	3,970	Equifax Inc.	52,841	6,611
Newell Brands Inc.	192,031	4,952	* AutoZone Inc.	5,910	3,965	MSCI Inc. Class A	39,596	6,550
Hasbro Inc.	49,396	4,560	Gap Inc.	119,758	3,879	XL Group Ltd.	113,483	6,349
Tyson Foods Inc. Class A	65,386	4,502	L Brands Inc.	104,114	3,840	* Markel Corp.	5,816	6,307
* NVR Inc.	1,512	4,491	* Discovery Communications Inc.	148,333	3,783	Lincoln National Corp.	96,096	5,982
Lamb Weston Holdings Inc.	64,265	4,403	* United Continental Holdings Inc.	51,772	3,610	Loews Corp.	119,265	5,758
Hormel Foods Corp.	116,367	4,330	FactSet Research Systems Inc.	17,079	3,383	Alexandria Real Estate Equities Inc.	45,340	5,721
Bunge Ltd.	61,931	4,317	News Corp. Class A	218,101	3,381	Vornado Realty Trust	75,453	5,577
* Michael Kors Holdings Ltd.	63,535	4,231	* Liberty Media Corp-Liberty SiriusXM Class C	73,060	3,314	HCP Inc.	206,386	5,329
Whirlpool Corp.	28,348	4,145	Alaska Air Group Inc.	54,154	3,270	Annaly Capital Management Inc.	511,030	5,259
* LKQ Corp.	129,298	4,125	AmerisourceBergen Corp. Class A	36,217	3,088	Extra Space Storage Inc.	52,650	5,255
Snap-on Inc.	24,870	3,997	Nordstrom Inc.	51,975	2,691	Arthur J Gallagher & Co.	80,101	5,229
BorgWarner Inc.	92,231	3,981	Domino's Pizza Inc.	9,289	2,621	AvalonBay Communities Inc.	30,365	5,219
Hanesbrands Inc.	158,337	3,487				Raymond James Financial Inc.	57,688	5,154
* Campbell Soup Co.	85,854	3,480						
PulteGroup Inc.	112,904	3,246						
Polaris Industries Inc.	26,358	3,220						
Ralph Lauren Corp. Class A	24,469	3,076						

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Cboe Global Markets Inc.	49,428	5,144	* Varian Medical Systems Inc.	40,214	4,573	Arconic Inc.	190,935	3,248
Mid-America Apartment Communities Inc.	50,005	5,034	Dentsply Sirona Inc.	99,927	4,374	Owens Corning	48,640	3,082
Ally Financial Inc.	188,932	4,963	* Jazz Pharmaceuticals plc	25,048	4,316	Fluor Corp.	61,745	3,012
Invesco Ltd.	180,445	4,793	Universal Health Services Inc. Class B	38,286	4,267	Sealed Air Corp.	70,800	3,005
Nasdaq Inc.	51,350	4,687	Perrigo Co. plc	54,765	3,993	Pentair plc	70,573	2,970
Cincinnati Financial Corp.	68,524	4,582	* DaVita Inc.	57,491	3,992	* Arrow Electronics Inc.	38,517	2,900
Zions Bancorporation	86,632	4,565	* Alnylam Pharmaceuticals Inc.	39,760	3,916	TransUnion	40,420	2,896
Duke Realty Corp.	156,914	4,555	* Nektar Therapeutics Class A	75,314	3,678	* Crown Holdings Inc.	58,996	2,641
* Arch Capital Group Ltd.	170,010	4,498	* Alkermes plc	68,138	2,804	Hubbell Inc. Class B	24,104	2,549
UDR Inc.	117,633	4,416	* Seattle Genetics Inc.	22,701	1,507	ManpowerGroup Inc.	28,924	2,489
Iron Mountain Inc.	125,634	4,398			156,732	Allison Transmission Holdings Inc.	57,357	2,322
FNF Group	113,892	4,285				Old Dominion Freight Line Inc.	15,355	2,287
Regency Centers Corp.	67,006	4,160	Industrials (17.6%)			Xerox Corp.	95,115	2,283
Everest Re Group Ltd.	18,004	4,150	* Fiserv Inc.	180,243	13,354	AO Smith Corp.	31,878	1,886
Western Union Co.	202,437	4,116	Roper Technologies Inc.	45,394	12,525	Cognex Corp.	36,341	1,621
Federal Realty Investment Trust	32,179	4,072	Amphenol Corp. Class A	132,452	11,543	FLIR Systems Inc.	30,161	1,567
SEI Investments Co.	62,525	3,909	* Worldpay Inc. Class A	130,897	10,705	* Stericycle Inc.	19,167	1,251
SL Green Realty Corp.	38,860	3,907	Rockwell Collins Inc.	72,279	9,735	Flowserve Corp.	28,975	1,171
Reinsurance Group of America Inc. Class A	28,351	3,784	Waste Connections Inc.	115,969	8,730	Acuity Brands Inc.	9,009	1,044
Camden Property Trust	40,796	3,718	* FleetCor Technologies Inc.	39,469	8,314	^ ADT Inc.	50,360	436
Alleghany Corp.	6,383	3,670	Global Payments Inc.	70,099	7,815	* nVent Electric plc	17	—
Torchmark Corp.	44,912	3,656	Vulcan Materials Co.	58,228	7,515			322,252
Unum Group	97,189	3,595	* Verisk Analytics Inc. Class A	69,138	7,442	Oil & Gas (6.9%)		
* Liberty Broadband Corp.	47,363	3,586	AMETEK Inc.	101,771	7,344	ONEOK Inc.	180,883	12,631
Affiliated Managers Group Inc.	23,867	3,548	TransDigm Group Inc.	20,784	7,173	Devon Energy Corp.	218,925	9,624
Macerich Co.	61,954	3,521	Cintas Corp.	37,602	6,959	* Concho Resources Inc.	65,649	9,083
Voya Financial Inc.	74,203	3,488	Textron Inc.	101,259	6,674	Hess Corp.	125,299	8,381
AGNC Investment Corp.	185,971	3,457	L3 Technologies Inc.	34,486	6,632	Andeavor	63,221	8,293
* Black Knight Inc.	62,358	3,339	* CoStar Group Inc.	15,992	6,599	Apache Corp.	168,337	7,870
Jones Lang LaSalle Inc.	19,991	3,318	* Mettler-Toledo International Inc.	11,158	6,456	Marathon Oil Corp.	375,830	7,840
VEREIT Inc.	425,461	3,165	WW Grainger Inc.	20,921	6,452	Noble Energy Inc.	212,879	7,510
* Athene Holding Ltd. Class A	69,011	3,025	WestRock Co.	112,987	6,442	National Oilwell Varco Inc.	167,995	7,291
Kimco Realty Corp.	177,360	3,013	Martin Marietta Materials Inc.	27,607	6,165	EQT Corp.	116,658	6,437
WR Berkley Corp.	40,095	2,903	Fastenal Co.	126,769	6,101	* Cheniere Energy Inc.	92,671	6,041
Invitation Homes Inc.	125,777	2,900	Total System Services Inc.	72,087	6,093	Diamondback Energy Inc.	43,334	5,701
Lazard Ltd. Class A	57,020	2,789	Broadridge Financial Solutions Inc.	51,812	5,964	HollyFrontier Corp.	77,580	5,309
People's United Financial Inc.	152,791	2,764	Expeditors International of Washington Inc.	76,753	5,611	Cabot Oil & Gas Corp.	198,395	4,722
CIT Group Inc.	50,957	2,569	Ball Corp.	153,931	5,472	Cimarex Energy Co.	41,938	4,267

Mid-Cap Index Portfolio

	Shares	Market Value* (\$000)
* ANSYS Inc.	36,928	6,432
Seagate Technology plc	113,511	6,410
* Splunk Inc.	63,844	6,328
* Advanced Micro Devices Inc.	404,595	6,065
* Citrix Systems Inc.	56,576	5,931
* Arista Networks Inc.	22,881	5,892
Symantec Corp.	273,069	5,639
* Synopsys Inc.	65,363	5,593
* Cadence Design Systems Inc.	123,886	5,365
* IAC/InterActiveCorp	34,229	5,220
* Akamai Technologies Inc.	71,229	5,216
* Gartner Inc.	38,085	5,061
CA Inc.	137,294	4,895
* F5 Networks Inc.	26,855	4,631
* Qorvo Inc.	55,575	4,455
Juniper Networks Inc.	153,396	4,206
Marvell Technology Group Ltd.	186,661	4,002
CDK Global Inc.	57,816	3,761
Garmin Ltd.	49,693	3,031
CDW Corp.	33,341	2,694
LogMeIn Inc.	22,942	2,369
SS&C Technologies Holdings Inc.	44,468	2,308
* GoDaddy Inc. Class A	31,063	2,193
* Snap Inc.	114,140	1,494
* Dropbox Inc. Class A	24,333	789
* Match Group Inc.	11,055	428
Lam Research Corp.	4	1
		279,009
Telecommunications (0.6%)		
CenturyLink Inc.	426,575	7,951
* Zayo Group Holdings Inc.	92,816	3,386
		11,337
Utilities (4.8%)		
WEC Energy Group Inc.	138,900	8,980
DTE Energy Co.	79,719	8,261
Eversource Energy	139,254	8,162
FirstEnergy Corp.	210,105	7,545
American Water Works Co. Inc.	78,468	6,700
Ameren Corp.	106,605	6,487
Entergy Corp.	79,470	6,420
CMS Energy Corp.	124,125	5,869
CenterPoint Energy Inc.	190,243	5,272
Alliant Energy Corp.	101,780	4,307
NiSource Inc.	159,395	4,189
Pinnacle West Capital Corp.	49,208	3,964
AES Corp.	290,572	3,896
* Evergy Inc.	59,622	3,348
* Vistra Energy Corp.	91,925	2,175

	Shares	Market Value* (\$000)
Avangrid Inc.	27,100	1,434
SCANA Corp.	29,771	1,147
		88,156
Total Common Stocks (Cost \$1,405,643)		1,820,536
Temporary Cash Investments (0.6%)¹		
Money Market Fund (0.5%)		
^{2,3} Vanguard Market Liquidity Fund, 2.122%	94,021	9,403
	Face Amount (\$000)	
U.S. Government and Agency Obligations (0.1%)		
⁴ United States Treasury Bill, 1.849%, 8/16/18	600	599
⁴ United States Treasury Bill, 1.928%, 10/4/18	500	497
		1,096
Total Temporary Cash Investments (Cost \$10,499)		10,499
Total Investments (100.0%) (Cost \$1,416,142)		1,831,035
		Amount (\$000)
Other Assets and Liabilities (0.0%)		
Other Assets		
Investment in Vanguard		96
Receivables for Accrued Income		1,775
Receivables for Capital Shares Issued		1,019
Variation Margin Receivable—Futures Contracts		8
Total Other Assets		2,898
Liabilities		
Payables for Investment Securities Purchased		(11)
Collateral for Securities on Loan		(2,119)
Payables for Capital Shares Redeemed		(640)
Payables to Vanguard		(972)
Total Liabilities		(3,742)
Net Assets (100%)		
Applicable to 80,021,836 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)		1,830,191
Net Asset Value Per Share		\$22.87

At June 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,327,086
Undistributed Net Investment Income	10,073
Accumulated Net Realized Gains	78,349
Unrealized Appreciation (Depreciation)	
Investment Securities	414,893
Futures Contracts	(210)
Net Assets	1,830,191

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^A Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$2,018,000.

¹ The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 99.9% 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 \$2,119,000 of collateral received for securities on loan.

⁴ Securities with a value of \$548,000 have been segregated as initial margin for open futures contracts.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

			(\$000)	
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini S&P Mid-Cap 400 Index	September 2018	30	5,868	(152)
E-mini S&P 500 Index	September 2018	17	2,313	(58)
				(210)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018 (\$000)
Investment Income	
Income	
Dividends	13,036
Interest ¹	44
Securities Lending—Net	28
Total Income	13,108
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	222
Management and Administrative	1,242
Marketing and Distribution	142
Custodian Fees	29
Shareholders' Reports	9
Trustees' Fees and Expenses	1
Total Expenses	1,645
Net Investment Income	11,463
Realized Net Gain (Loss)	
Investment Securities Sold ¹	78,415
Futures Contracts	38
Realized Net Gain (Loss)	78,453
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(45,393)
Futures Contracts	(217)
Change in Unrealized Appreciation (Depreciation)	(45,610)
Net Increase (Decrease) in Net Assets Resulting from Operations	44,306

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$37,000, \$2,000, and less than \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018 (\$000)	Year Ended December 31, 2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	11,463	21,647
Realized Net Gain (Loss)	78,453	88,310
Change in Unrealized Appreciation (Depreciation)	(45,610)	175,708
Net Increase (Decrease) in Net Assets Resulting from Operations	44,306	285,665
Distributions		
Net Investment Income	(21,762)	(19,300)
Realized Capital Gain ¹	(88,481)	(70,544)
Total Distributions	(110,243)	(89,844)
Capital Share Transactions		
Issued	130,687	246,883
Issued in Lieu of Cash Distributions	110,243	89,844
Redeemed	(149,048)	(223,550)
Net Increase (Decrease) from Capital Share Transactions	91,882	113,177
Total Increase (Decrease)	25,945	308,998
Net Assets		
Beginning of Period	1,804,246	1,495,248
End of Period²	1,830,191	1,804,246

¹ Includes fiscal 2018 and 2017 short-term gain distributions totaling \$3,072,000 and \$1,194,000, respectively. Short-term gain distributions are treated as ordinary income for tax purposes.

² Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$10,073,000 and \$20,372,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$23.72	\$21.11	\$20.76	\$22.49	\$20.77	\$16.13
Investment Operations						
Net Investment Income	.146 ¹	.292 ¹	.280	.291	.266	.203
Net Realized and Unrealized Gain (Loss) on Investments	.451	3.575	1.814	(.552)	2.446	5.262
Total from Investment Operations	.597	3.867	2.094	(.261)	2.712	5.465
Distributions						
Dividends from Net Investment Income	(.286)	(.270)	(.292)	(.268)	(.200)	(.200)
Distributions from Realized Capital Gains	(1.161)	(.987)	(1.452)	(1.201)	(.792)	(.625)
Total Distributions	(1.447)	(1.257)	(1.744)	(1.469)	(.992)	(.825)
Net Asset Value, End of Period	\$22.87	\$23.72	\$21.11	\$20.76	\$22.49	\$20.77
Total Return	2.50%	19.08%	11.11%	-1.43%	13.59%	34.93%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$1,830	\$1,804	\$1,495	\$1,363	\$1,364	\$1,172
Ratio of Total Expenses to Average Net Assets	0.18%	0.19%	0.19%	0.19%	0.24%	0.25%
Ratio of Net Investment Income to Average Net Assets	1.32%	1.32%	1.40%	1.35%	1.29%	1.15%
Portfolio Turnover Rate	20%	18%	21%	23%	16%	35%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

¹ Calculated based on average shares outstanding.

Notes to Financial Statements

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, 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 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 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 futures gains (losses).

During the six months ended June 30, 2018, 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 the notional amounts 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, 2014–2017), and for the period ended June 30, 2018, 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 before the opening of the market 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, 2018, 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. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$96,000, 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). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	1,820,536	—	—
Temporary Cash Investments	9,403	1,096	—
Futures Contracts—Assets ¹	8	—	—
Total	1,829,947	1,096	—

¹ Represents variation margin on the last day of the reporting period.

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, 2018, the cost of investment securities for tax purposes was \$1,416,142,000. Net unrealized appreciation of investment securities for tax purposes was \$414,893,000, consisting of unrealized gains of \$471,829,000 on securities that had risen in value since their purchase and \$56,936,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2018, the portfolio purchased \$183,394,000 of investment securities and sold \$198,955,000 of investment securities, other than temporary cash investments.

The portfolio 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, 2018, such purchases and sales were \$20,649,000 and \$39,918,000, respectively; these amounts are included in the purchases and sales of investment securities noted above.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	5,575	11,082
Issued in Lieu of Cash Distributions	4,812	4,272
Redeemed	(6,432)	(10,126)
Net Increase (Decrease) in Shares Outstanding	3,955	5,228

At June 30, 2018, 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 44% 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 events or transactions occurred subsequent to June 30, 2018, 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, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
Mid-Cap Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,025.03	\$0.90
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.90	0.90

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 0.18%. 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 four 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 in the Performance Summary section of this report.

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 in the About Your Portfolio's Expenses section as well as in the Financial Statements section.

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 208 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) of the Children's Hospital of Philadelphia.

Independent Trustees

Emerson U. Fullwood

Born in 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). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. 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 University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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 in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its 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. 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 in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) 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 in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 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.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Peter F. Volanakis

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). 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 in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard and global head of Fund Administration at Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG LLP (audit, tax, and advisory services).

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

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

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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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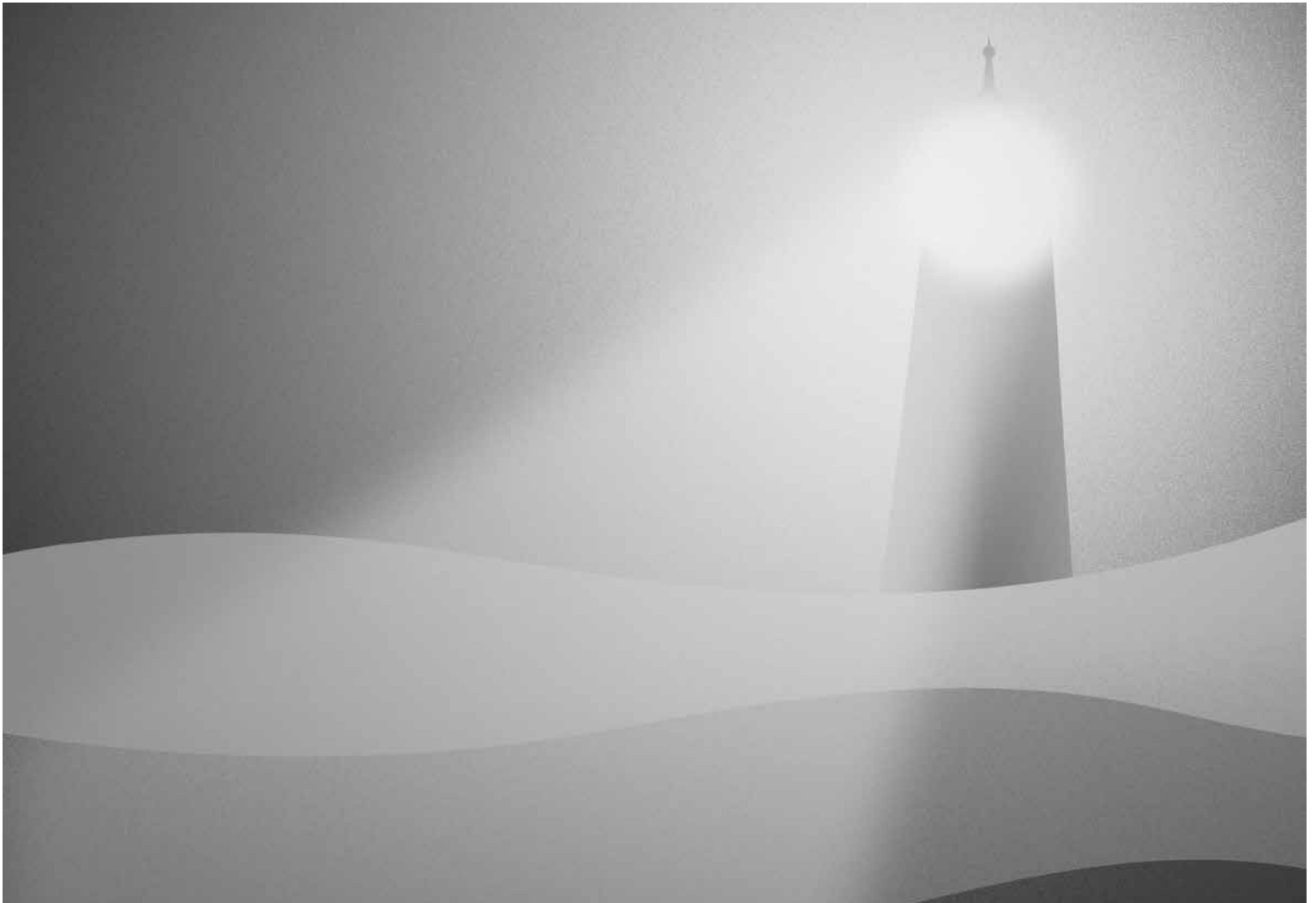
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Semiannual Report | June 30, 2018

Vanguard Variable Insurance Fund

Real Estate 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.

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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: Nautical images have been part of Vanguard’s rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long, sweeping tail on the last name.

Mortimer J. Buckley
President and Chief Executive Officer
July 13, 2018

Market Perspective

U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

¹ Annualized.

Real Estate Index Portfolio

Real estate investment trusts trailed the broad U.S. stock market during the six months ended June 30, 2018, as rising interest rates limited their investment appeal. The Real Estate Index Portfolio returned 0.70% for the period, a bit below 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 and other real estate-related investments.

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 tightening limited REITs' appeal

In June, the Federal Reserve raised the federal funds target rate one-quarter of a percentage point, to between 1.75% and 2%. It was the second increase in

2018 and the seventh increase since December 2015. REITs tend to lag the broader stock market during periods of rising rates as higher interest rates raise debt-financing costs and erode profit margins.

Specialized REITs, which include storage facilities, data centers, and entertainment and athletic complexes, contributed the most to relative performance. Hotel and resort REITs and industrial REITs were also among the groups that made big contributions to the portfolio's positive overall performance for the period. For industrial REITs, which own and manage industrial facilities and rent space in those properties, the gain was due in part to e-commerce and warehouse users expanding into urban areas.

Real estate services REITs, real estate development REITs, residential REITs, and real estate operating company REITs also contributed to performance. Retail REITs, diversified REITs, office REITs, health care REITs, diversified real estate activities REITs, and mortgage REITs detracted.

Retail REITs—the sector's largest group—were the biggest detractors. Retail REITs were held back by a general decline in the popularity of malls, store closures by national retailers, and an increase in online shopping.

Changes to the portfolio

As we mentioned in the previous report, Vanguard earlier this year updated the investment objective and principal investment strategies of the portfolio to provide broader exposure to the real estate market. As part of this filing, the benchmark index of the portfolio was updated from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Index. The name of the portfolio also was updated from the REIT Index Portfolio to the Real Estate Index Portfolio.

Total Returns

	Six Months Ended June 30, 2018
Real Estate Index Portfolio	0.70%
VVIF Real Estate Spliced Index ¹	0.79
Variable Insurance Real Estate Funds Average ²	0.76

Expense Ratios³

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Real Estate Funds Average
Real Estate Index Portfolio	0.27%	1.11%



¹ MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 18, 2018; and MSCI US Investable Market Real Estate 25/50 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 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Real Estate Index 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 2017.

Portfolio Profile

As of June 30, 2018

Portfolio Characteristics

	Portfolio	Comparative Index ¹	Broad Index ²
Number of Stocks	185	185	3,779
Median Market Cap	\$12.7B	\$12.6B	\$64.0B
Price/Earnings Ratio	37.7x	36.6x	20.7x
Price/Book Ratio	2.4x	2.4x	3.0x
Dividend Yield ³	3.8%	3.8%	1.8%
Return on Equity	6.1%	6.1%	15.0%
Earnings Growth Rate	13.1%	13.2%	8.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate ⁴	35%	—	—
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	0.30
Beta	1.00	0.70

Portfolio Allocation by Subsector

Industrial REITs	31.3%
Diversified REITs	15.4
Hotel & Resort REITs	13.0
Specialized REITs	10.5
Residential REITs	8.9
Health Care REITs	6.6
Office REITs	5.8
Retail REITs	4.7
Real Estate Management & Development	3.8

Ten Largest Holdings⁶ (% of total net assets)

American Tower Corp.	Specialized REITs	5.9%
Simon Property Group Inc.	Retail REITs	5.0
Crown Castle International Corp.	Specialized REITs	4.0
Public Storage	Specialized REITs	3.3
Prologis Inc.	Industrial REITs	3.2
Equinix Inc.	Specialized REITs	3.1
Weyerhaeuser Co.	Specialized REITs	2.5
AvalonBay Communities Inc.	Residential REITs	2.2
Equity Residential	Residential REITs	2.2
Welltower Inc.	Health Care REITs	2.1
Top Ten		33.5%

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 Investable Market Real Estate 25/50 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.

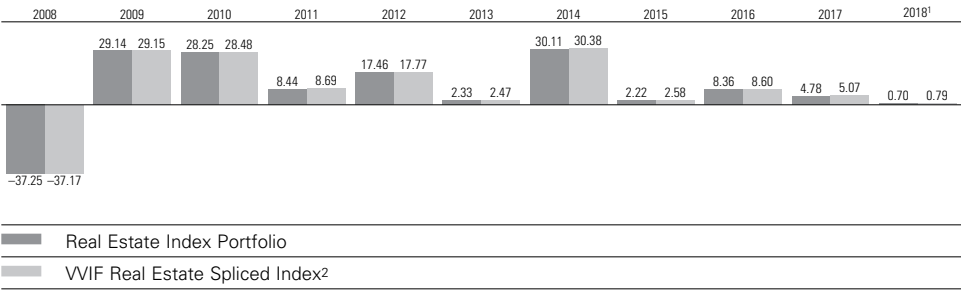
⁵ The expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Real Estate Index Portfolio's annualized expense ratio annualized was 0.27%.

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, 2007–June 30, 2018



Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years
Real Estate Index Portfolio	2/9/1999	2.89%	7.92%	7.87%

1 Six months ended June 30, 2018.
2 MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 18, 2018; and MSCI US Investable Market Real Estate 25/50 Index thereafter.
See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2018

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)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (96.0%)¹								
Diversified REITs (4.7%)								
VEREIT Inc.	934,609	6,953	Apple Hospitality REIT Inc.	209,340	3,743	Columbia Property Trust Inc.	114,626	2,603
WP Carey Inc.	102,302	6,788	LaSalle Hotel Properties	108,749	3,722	Piedmont Office Realty Trust Inc. Class A	129,493	2,581
Liberty Property Trust	141,376	6,267	RLJ Lodging Trust	167,708	3,698	Mack-Cali Realty Corp.	86,517	1,755
Forest City Realty Trust Inc. Class A	217,612	4,964	Ryman Hospitality Properties Inc.	44,248	3,679	Government Properties Income Trust	94,986	1,506
STORE Capital Corp.	167,621	4,593	Sunstone Hotel Investors Inc.	215,798	3,587	Tier REIT Inc.	45,941	1,092
Colony Capital Inc.	467,398	2,917	Pebblebrook Hotel Trust	66,138	2,566	Easterly Government Properties Inc.	54,598	1,079
PS Business Parks Inc.	19,613	2,520	Xenia Hotels & Resorts Inc.	102,325	2,493	Franklin Street Properties Corp.	103,048	882
Washington REIT	75,281	2,283	DiamondRock Hospitality Co.	192,229	2,361	NorthStar Realty Europe Corp.	47,890	694
Empire State Realty Trust Inc.	131,799	2,254	MGM Growth Properties LLC Class A	67,699	2,062	City Office REIT Inc.	32,470	417
Lexington Realty Trust	207,079	1,808	Chesapeake Lodging Trust	57,746	1,827	New York REIT Inc.	15,704	286
Alexander & Baldwin Inc.	65,514	1,540	Summit Hotel Properties Inc.	100,009	1,431			
Select Income REIT	63,907	1,436	* CorePoint Lodging Inc.	39,376	1,020			
Global Net Lease Inc.	64,485	1,317	Chatham Lodging Trust	44,048	935			
American Assets Trust Inc.	31,658	1,212	Hersha Hospitality Trust Class A	36,342	780	Residential REITs (13.0%)		
* iStar Inc.	65,341	705	Ashford Hospitality Trust Inc.	88,604	718	AvalonBay Communities Inc.	132,440	22,765
Armada Hoffler Properties Inc.	43,503	648	Braemar Hotels & Resorts Inc.	27,617	315	Equity Residential	353,100	22,489
Gladstone Commercial Corp.	27,382	526			60,190	Essex Property Trust Inc.	63,339	15,142
One Liberty Properties Inc.	13,816	365	Industrial REITs (6.6%)			Mid-America Apartment Communities Inc.	108,983	10,971
² Winthrop Realty Trust	32,397	47	Prologis Inc.	511,439	33,596	UDR Inc.	257,006	9,648
		49,143	Duke Realty Corp.	342,084	9,931	Camden Property Trust	88,992	8,110
Health Care REITs (8.9%)			DCT Industrial Trust Inc.	89,912	6,000	Sun Communities Inc.	76,245	7,463
Welltower Inc.	355,283	22,273	Gramercy Property Trust	154,240	4,214	Equity LifeStyle Properties Inc.	80,575	7,405
Ventas Inc.	341,635	19,456	First Industrial Realty Trust Inc.	115,526	3,851	Invitation Homes Inc.	298,708	6,888
HCP Inc.	449,897	11,616	EastGroup Properties Inc.	33,279	3,180	Apartment Investment & Management Co.	150,899	6,383
Omega Healthcare Investors Inc.	190,550	5,907	STAG Industrial Inc.	93,570	2,548	American Campus Communities Inc.	130,999	5,617
Healthcare Trust of America Inc. Class A	196,682	5,303	Rexford Industrial Realty Inc.	75,590	2,373	American Homes 4 Rent Class A	245,712	5,450
Medical Properties Trust Inc.	349,563	4,908	Terreno Realty Corp.	53,068	1,999	Education Realty Trust Inc.	72,634	3,014
Senior Housing Properties Trust	228,213	4,128	Monmouth Real Estate Investment Corp.	70,906	1,172	Independence Realty Trust Inc.	82,028	846
Sabra Health Care REIT Inc.	171,134	3,719			68,864	Preferred Apartment Communities Inc. Class A	37,841	643
Healthcare Realty Trust Inc.	119,875	3,486	Office REITs (10.4%)			Investors Real Estate Trust	115,505	639
National Health Investors Inc.	39,801	2,932	Boston Properties Inc.	148,093	18,574	Front Yard Residential Corp.	48,757	508
Physicians Realty Trust	172,396	2,748	Alexandria Real Estate Equities Inc.	97,144	12,257	NexPoint Residential Trust Inc.	17,223	490
* Quality Care Properties Inc.	89,947	1,935	Vornado Realty Trust	163,965	12,120	UMH Properties Inc.	30,745	472
LTC Properties Inc.	37,926	1,621	SL Green Realty Corp.	86,678	8,714			
CareTrust REIT Inc.	73,154	1,221	Kilroy Realty Corp.	94,860	7,175			
Universal Health Realty Income Trust	12,585	805	Douglas Emmett Inc.	154,540	6,209	Retail REITs (15.4%)		
New Senior Investment Group Inc.	78,856	597	Hudson Pacific Properties Inc.	150,502	5,332	Simon Property Group Inc.	307,280	52,296
MedEquities Realty Trust Inc.	27,206	300	Highwoods Properties Inc.	98,972	5,021	Realty Income Corp.	272,549	14,660
		92,955	JBG SMITH Properties	107,565	3,923	GGP Inc.	642,483	13,126
Hotel & Resort REITs (5.8%)			Cousins Properties Inc.	402,923	3,904	Regency Centers Corp.	147,355	9,148
Host Hotels & Resorts Inc.	704,228	14,838	* Equity Commonwealth	118,429	3,731	Federal Realty Investment Trust	70,273	8,893
Park Hotels & Resorts Inc.	192,690	5,902	Paramount Group Inc.	206,797	3,185	Kimco Realty Corp.	408,467	6,940
Hospitality Properties Trust	157,751	4,513	Brandywine Realty Trust	171,524	2,895	National Retail Properties Inc.	147,647	6,491
			Corporate Office Properties Trust	97,006	2,812	Macerich Co.	101,388	5,762

Real Estate Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Amount (\$000)
Brixmor Property Group Inc.	292,046	5,090	PotlatchDeltic Corp.	57,033	2,900	Other Assets and Liabilities (-0.1%)	
Weingarten Realty Investors	117,223	3,612	CoreCivic Inc.	113,529	2,712	Other Assets	
Spirit Realty Capital Inc.	429,924	3,452	Outfront Media Inc.	132,080	2,569	Investment in Vanguard	53
Taubman Centers Inc.	58,396	3,431	QTS Realty Trust Inc. Class A	48,571	1,919	Receivables for Investment Securities Sold	581
DDR Corp.	150,402	2,692	National Storage Affiliates Trust	48,232	1,487	Receivables for Accrued Income	4,057
Retail Properties of America Inc.	210,204	2,686	Four Corners Property Trust Inc.	58,649	1,445	Receivables for Capital Shares Issued	198
Urban Edge Properties	109,309	2,500	InfraREIT Inc.	42,083	933	Variation Margin Receivable—	
Acadia Realty Trust	80,303	2,198	CatchMark Timber Trust Inc. Class A	46,741	595	Futures Contracts	5
^ Tanger Factory Outlet Centers Inc.	90,575	2,128	^ Farmland Partners Inc.	29,537	260	Other Assets	5
Retail Opportunity Investments Corp.	107,647	2,062			325,497	Total Other Assets	4,899
Agree Realty Corp.	29,626	1,563	Total Equity Real Estate Investment Trusts (REITs) (Cost \$1,037,661)		1,000,202	Liabilities	
Washington Prime Group Inc.	178,386	1,447	Real Estate Management & Development (3.8%)			Payables for Investment Securities Purchased	(2,426)
Kite Realty Group Trust	78,906	1,348	* CBRE Group Inc. Class A	308,792	14,742	Collateral for Securities on Loan	(1,841)
^ Seritage Growth Properties Class A	31,008	1,316	Jones Lang LaSalle Inc.	43,461	7,214	Payables for Capital Shares Redeemed	(1,331)
Ramco-Gershenson Properties Trust	76,220	1,007	* Howard Hughes Corp.	39,388	5,219	Payables to Vanguard	(659)
^ CBL & Associates Properties Inc.	164,556	917	Realogy Holdings Corp.	125,138	2,853	Total Liabilities	(6,257)
Getty Realty Corp.	32,384	912	Kennedy-Wilson Holdings Inc.	129,417	2,737	Net Assets (100%)	
Alexander's Inc.	2,198	841	HFF Inc. Class A	34,976	1,202	Applicable to 84,643,156 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)	1,042,016
^ Pennsylvania REIT	67,725	744	^ Redfin Corp.	43,168	997	Net Asset Value Per Share	\$12.31
Saul Centers Inc.	12,811	686	RE/MAX Holdings Inc. Class A	16,873	885		
Urstadt Biddle Properties Inc. Class A	28,424	643	* Marcus & Millichap Inc.	18,100	706		
* Spirit MTA REIT	42,604	439	* St. Joe Co.	37,003	664		
Cedar Realty Trust Inc.	89,548	423	* Five Point Holdings LLC Class A	53,088	597		
Whitestone REIT	32,845	410	* Tejon Ranch Co.	20,628	501		
		159,863	RMR Group Inc. Class A	5,789	454		
Specialized REITs (31.2%)			* FRP Holdings Inc.	6,556	425		
American Tower Corp.	422,908	60,971	^ Altisource Portfolio Solutions SA	10,813	315		
Crown Castle International Corp.	390,320	42,084	^ Forestar Group Inc.	10,019	208		
Public Storage	150,224	34,080	Total Real Estate Management & Development (Cost \$38,461)		39,719		
Equinix Inc.	75,999	32,671	Temporary Cash Investments (0.3%)¹				
Weyerhaeuser Co.	725,401	26,448	Money Market Fund (0.3%)				
Digital Realty Trust Inc.	197,149	21,998	^{3,4} Vanguard Market Liquidity Fund, 2.122%	31,541	3,154		
* SBA Communications Corp. Class A	111,714	18,446					
Extra Space Storage Inc.	120,851	12,062					
Iron Mountain Inc.	259,844	9,097					
Gaming and Leisure Properties Inc.	194,154	6,951					
CubeSmart	174,777	5,631					
Lamar Advertising Co. Class A	80,512	5,500					
VICI Properties Inc.	266,432	5,499	U.S. Government and Agency Obligations (0.0%)				
CyrusOne Inc.	92,327	5,388	⁵ United States Treasury Bill, 1.916%, 9/6/18	300	299		
Rayonier Inc.	123,799	4,790	Total Temporary Cash Investments (Cost \$3,453)		3,453		
EPR Properties	70,809	4,588	Total Investments (100.1%) (Cost \$1,079,575)		1,043,374		
Life Storage Inc.	44,552	4,335					
CoreSite Realty Corp.	32,944	3,651					
GEO Group Inc.	118,971	3,276					
Uniti Group Inc.	160,328	3,211					

At June 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,021,919
Undistributed Net Investment Income	14,321
Accumulated Net Realized Gains	41,930
Unrealized Appreciation (Depreciation)	
Investment Securities	(36,201)
Futures Contracts	47
Net Assets	1,042,016

• 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 \$1,748,000.

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 0.1%, respectively, of net assets.

2 Security value determined using significant unobservable inputs.

3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

4 Includes \$1,841,000 of collateral received for securities on loan.

5 Securities with a value of \$299,000 have been segregated as initial margin for open futures contracts.

REIT—Real Estate Investment Trust.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

			(\$000)	
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
Dow Jones U.S. Real Estate Index	September 2018	65	2,079	47

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018 (\$000)
Investment Income	
Income	
Dividends	16,316
Interest ¹	12
Securities Lending—Net	7
Total Income	16,335
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	117
Management and Administrative	1,093
Marketing and Distribution	77
Custodian Fees	11
Shareholders' Reports	4
Total Expenses	1,302
Net Investment Income	15,033
Realized Net Gain (Loss)	
Investment Securities Sold ¹	40,327
Futures Contracts	(53)
Capital Gain Distributions Received	1,650
Realized Net Gain (Loss)	41,824
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(52,645)
Futures Contracts	52
Change in Unrealized Appreciation (Depreciation)	(52,593)
Net Increase (Decrease) in Net Assets Resulting from Operations	4,364

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$11,000, less than \$1,000, and less than \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018 (\$000)	Year Ended December 31, 2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	15,033	30,921
Realized Net Gain (Loss)	41,824	38,019
Change in Unrealized Appreciation (Depreciation)	(52,593)	(18,204)
Net Increase (Decrease) in Net Assets Resulting from Operations	4,364	50,736
Distributions		
Net Investment Income	(30,725)	(26,681)
Realized Capital Gain ¹	(37,675)	(47,580)
Total Distributions	(68,400)	(74,261)
Capital Share Transactions		
Issued	80,619	113,956
Issued in Lieu of Cash Distributions	68,400	74,261
Redeemed	(119,815)	(180,812)
Net Increase (Decrease) from Capital Share Transactions	29,204	7,405
Total Increase (Decrease)	(34,832)	(16,120)
Net Assets		
Beginning of Period	1,076,848	1,092,968
End of Period²	1,042,016	1,076,848

¹ Includes fiscal 2018 and 2017 short-term gain distributions totaling \$360,000 and \$786,000, 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 \$14,321,000 and \$30,013,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$13.14	\$13.48	\$13.77	\$14.17	\$11.87	\$12.12
Investment Operations						
Net Investment Income	.181 ¹	.375 ¹	.346	.358	.307	.308
Net Realized and Unrealized Gain (Loss) on Investments	(.158)	.220	.734	(.032)	3.061	.002
Total from Investment Operations	.023	.595	1.080	.326	3.368	.310
Distributions						
Dividends from Net Investment Income	(.383)	(.336)	(.375)	(.251)	(.367)	(.255)
Distributions from Realized Capital Gains	(.470)	(.599)	(.995)	(.475)	(.701)	(.305)
Total Distributions	(.853)	(.935)	(1.370)	(.726)	(1.068)	(.560)
Net Asset Value, End of Period	\$12.31	\$13.14	\$13.48	\$13.77	\$14.17	\$11.87
Total Return	0.70%	4.78%	8.36%	2.22%	30.11%	2.33%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$1,042	\$1,077	\$1,093	\$990	\$1,009	\$655
Ratio of Total Expenses to Average Net Assets	0.27%	0.27%	0.27%	0.27%	0.27%	0.27%
Ratio of Net Investment Income to Average Net Assets	3.06%	2.87%	2.55%	2.60%	3.96%	2.50%
Portfolio Turnover Rate	35%	10%	14%	21%	11%	19%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

¹ Calculated based on average shares outstanding.

Notes to Financial Statements

Real Estate 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, 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 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 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 futures gains (losses).

During the six months ended June 30, 2018, 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 the notional amounts 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, 2014–2017), and for the period ended June 30, 2018, 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 before the opening of the market 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, 2018, 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. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$53,000, 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.

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). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio’s investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	1,039,874	—	47
Temporary Cash Investments	3,154	299	—
Futures Contracts—Assets ¹	5	—	—
Total	1,043,033	299	47

¹ Represents variation margin on the last day of the reporting period.

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, 2018, the cost of investment securities for tax purposes was \$1,079,575,000. Net unrealized depreciation of investment securities for tax purposes was \$36,201,000, consisting of unrealized gains of \$70,914,000 on securities that had risen in value since their purchase and \$107,115,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2018, the portfolio purchased \$275,113,000 of investment securities and sold \$295,947,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	6,773	8,703
Issued in Lieu of Cash Distributions	6,005	5,946
Redeemed	(10,067)	(13,812)
Net Increase (Decrease) in Shares Outstanding	2,711	837

At June 30, 2018, 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.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2018, 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, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
Real Estate Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,007.02	\$1.34
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 Real Estate 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 four 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 in the Performance Summary section of this report.

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 in the About Your Portfolio's Expenses section as well as in the Financial Statements section.

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 208 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) of the Children's Hospital of Philadelphia.

Independent Trustees

Emerson U. Fullwood

Born in 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). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. 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 University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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 in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its 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. 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 in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) 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 in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 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.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Peter F. Volanakis

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). 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 in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard and global head of Fund Administration at Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG LLP (audit, tax, and advisory services).

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

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

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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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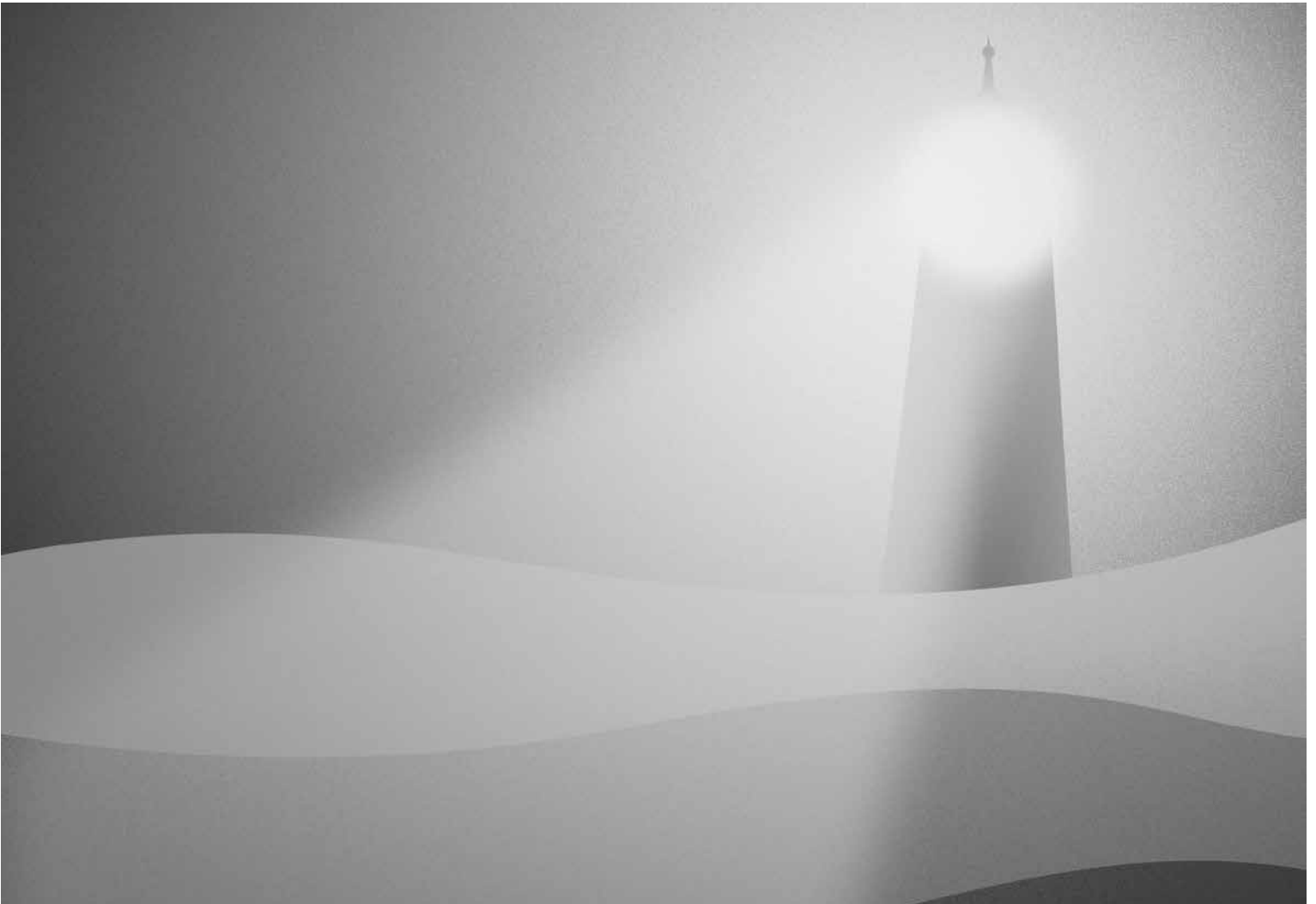
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Semiannual Report | June 30, 2018

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.

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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: Nautical images have been part of Vanguard’s rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long, sweeping tail on the last name.

Mortimer J. Buckley
President and Chief Executive Officer
July 13, 2018

Market Perspective

U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

¹ Annualized.

Small Company Growth Portfolio

Advisors' Report

The Small Company Growth Portfolio returned 9.42% for the six months ended June 30, 2018, ahead of the 8.04% return of its benchmark, the Russell 2500 Growth Index, but trailing the 11.63% 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 table on the next page. 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, 2018.

ArrowMark Partners

Portfolio Managers:

Chad Meade, Partner

Brian Schaub, CFA, Partner

Volatility returned to the equity market in the first half of 2018, influenced by a backdrop of higher interest rates, geopolitical tensions, and the threat of increased trade barriers. The Federal Reserve also increased its growth outlook for 2018 and, as widely expected, raised its benchmark interest rate twice. Policy-makers signaled they planned to raise rates two more times this year. Based on the Russell family of indexes, small-capitalization growth stocks outperformed large-cap growth stocks, and growth stocks significantly outperformed value stocks across all market-cap ranges.

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. We continue to add holdings with predictable and recurring

revenue streams, strong competitive advantages, large addressable markets, and attractive risk-reward profiles.

Performance during the period was driven almost entirely by strong stock selection, particularly within the health care and financial sectors. Relative performance also benefited from our meaningful underweight to the materials sector, where we own only one company. We typically avoid this sector because materials companies tend to exhibit levered balance sheets and are more influenced by commodity price swings.

Health care was the largest contributor to overall performance, driven in part by Atara Biotherapeutics and Juno Therapeutics. Atara is a clinical-stage biopharmaceutical company focused on developing T-cell immunotherapies for patients with cancer and autoimmune and viral diseases. It received clearance from the U.S. Food and Drug Administration to begin Phase 3 clinical studies in late December, triggering a rally in the stock that extended through the first quarter. The stock received an additional boost in February when the New England Journal of Medicine published a favorable article.

Juno, a biopharmaceutical company focused on developing cellular immunotherapies for the treatment of cancer, announced it was being acquired by biotech giant Celgene in a \$9 billion deal that was well received by the market.

Notable positions within the financial sector were Financial Engines and LPL Financial Holdings. Financial Engines, a technology-driven investment retirement advisor working with the largest employers and recordkeepers in America, was acquired by Hellman & Friedman at a 32% premium during the period.

Total Returns

	Six Months Ended June 30, 2018
Small Company Growth Portfolio	9.42%
Russell 2500 Growth Index	8.04
Variable Insurance Small-Cap Growth Funds Average ¹	11.63

Expense Ratios²

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Small-Cap Growth Funds Average
Small Company Growth Portfolio	0.34%	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 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Small Company Growth Portfolio's annualized expense ratio was 0.34%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

LPL is a leading financial services provider for independent advisors and registered investment advisors. We like its ability to migrate advisors from commission-based accounts to fee-based accounts at enhanced economics. Because it is highly leveraged to rising interest rates, LPL benefited from the positive movement in rates over recent quarters. A strong market backdrop and subsequent growth in assets under management also provided a powerful boost.

Investments in the information technology sector, particularly the software and services group, dragged on relative returns. The sector is now our largest underweight position as we have struggled to justify company valuations. Companies disruptive to performance included Switch, a technology infrastructure ecosystem corporation that narrowly missed analysts' expectations, and Heartland Express, a short-to-medium-haul truckload carrier that suffered from a slow merger process.

Vanguard Quantitative Equity Group

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of Alpha Equity Investments

The investment environment

The U.S. economy grew at a rate of 2.0% in the first quarter of 2018, a decrease from the previous quarter's 2.9%, according to the latest revision at the end of June. Positive contributions to growth came from nonresidential fixed investment, personal consumption, and exports, as well as government spending at the federal, state, and local levels. These were partly offset by negative contributions from residential fixed income and private inventory investment, along with an increase in imports.

Unemployment rose to 4.0% in June versus expectations that it would hold steady at 3.8%. In its June meeting, the Federal Reserve raised its target interest rate to 1.75%–2%, citing a labor market that has continued to strengthen and steadily rising economic activity. The Fed also noted that inflation has moved closer to 2% and expressed concern over the uncertainty of trade policy.

U.S. stock market performance for the period was mixed; five of the 11 industry sectors advanced, led by information technology, consumer discretionary, and energy. Consumer staples, telecommunication services, and industrials

performed the worst. Growth stocks exceeded value, and small-capitalization stocks outpaced large- and mid-caps.

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.

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, growth, and sentiment models and, to a lesser extent, our quality model. Our valuation model detracted from performance. Results exceeded the benchmark in seven of 11 sectors and were strongest in consumer discretionary and information technology, followed by financials. Health care, materials, and consumer staples were the weakest relative performers.

The portfolio benefited from Etsy and Square in information technology, Weight Watchers and RH in consumer discretionary, and Medifast in consumer staples. The greatest shortfalls came from Exelixis, ABIOMED, and Nektar Therapeutics in health care, Pilgrim's Pride in consumer staples, and Extreme Networks in information technology.

Small Company Growth Portfolio Investment Advisors

Investment Advisor	Portfolio Assets Managed		Investment Strategy
	%	\$ Million	
ArrowMark Partners	48	969	The firm uses in-depth fundamental research to uncover companies that, in its opinion, can control their own economic destiny. It starts by identifying businesses with strong competitive advantages in industries with high barriers to entry, then narrows the focus to companies with large potential markets and high-quality business models focused on the future. Finally, considerations are made for potential downside risk, resulting in a diversified portfolio of between 75 and 100 stocks.
Vanguard Quantitative Equity Group	48	956	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.
Cash Investments	4	72	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.

Portfolio Profile

As of June 30, 2018

Portfolio Characteristics

	Portfolio	Comparative Index ¹	Broad Index ²
Number of Stocks	426	1,471	3,779
Median Market Cap	\$4.2B	\$4.4B	\$64.B
Price/Earnings Ratio	22.8x	26.2x	20.7x
Price/Book Ratio	4.1x	4.9x	3.0x
Yield ³	0.5%	0.7%	1.8%
Return on Equity	11.7%	11.3%	15.0%
Earnings Growth Rate	13.5%	16.5%	8.3%
Foreign Holdings	1.8%	0.0%	0.0%
Turnover Rate ⁴	76%	—	—
Expense Ratio ⁵	0.34%	—	—
Short-Term Reserves	1.5%	—	—

Volatility Measures

	Portfolio Versus Comparative Index ¹	Portfolio Versus Broad Index ²
R-Squared	0.96	0.78
Beta	1.05	1.20

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index ¹	Broad Index ²
Consumer Discretionary	18.9%	16.6%	13.2%
Consumer Staples	1.6	2.0	6.2
Energy	1.1	1.9	6.1
Financials	6.5	7.4	14.3
Health Care	20.0	22.0	13.7
Industrials	24.1	17.1	10.2
Information Technology	21.8	24.5	24.7
Materials	3.1	5.1	3.1
Real Estate	2.2	2.5	3.8
Telecommunication Services	0.4	0.7	1.8
Utilities	0.3	0.2	2.9

Ten Largest Holdings⁶ (% of total net assets)

TriNet Group Inc.	Human Resource & Employment Services	1.9%
Sensata Technologies Holding plc	Electrical Components & Equipment	1.3
ServiceMaster Global Holdings Inc.	Specialized Consumer Services	1.2
Grand Canyon Education Inc.	Education Services	1.2
CDW Corp.	Technology Distributors	1.2
Hanesbrands Inc.	Apparel, Accessories & Luxury Goods	1.2
LPL Financial Holdings Inc.	Investment Banking & Brokerage	1.1
Clean Harbors Inc.	Environmental & Facilities Services	1.1
Trimble Inc.	Electronic Equipment & Instruments	0.9
Sally Beauty Holdings Inc.	Specialty Stores	0.9
Top Ten		12.0%

Investment Focus

Style	Value	Blend	Growth
Market Cap	Large		
	Medium		
	Small		

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

¹ Russell 2500 Growth Index.

² Dow Jones U.S. Total Stock Market Float Adjusted Index.

³ 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

⁴ Annualized.

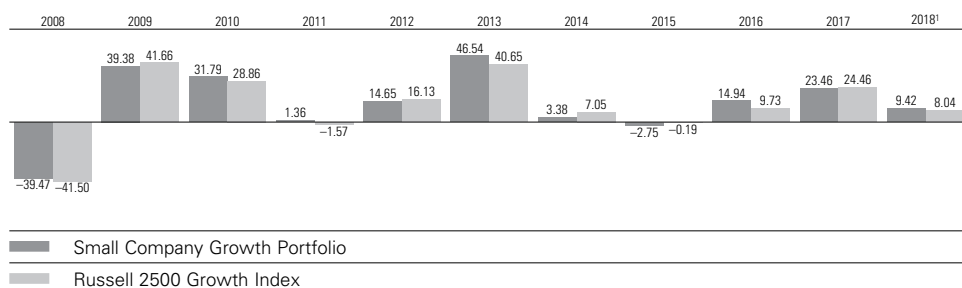
⁵ The expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the Small Company Growth Portfolio's annualized expense ratio was 0.34%.

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, 2007–June 30, 2018



Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years
Small Company Growth Portfolio	6/3/1996	21.46%	14.30%	13.25%

¹ Six months ended June 30, 2018.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2018

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)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (94.8%)¹						Financials (5.7%)		
Consumer Discretionary (18.1%)			Thor Industries Inc.	18,983	1,849	LPL Financial Holdings Inc.	333,281	21,843
* ServiceMaster Global Holdings Inc.	411,568	24,476	Children's Place Inc.	15,167	1,832	Financial Engines Inc.	375,385	16,855
* Grand Canyon Education Inc.	218,446	24,381	* Burlington Stores Inc.	12,001	1,807	WisdomTree Investments Inc.	829,800	7,535
Hanesbrands Inc.	1,083,135	23,851	* Shake Shack Inc. Class A	24,597	1,628	Bank of the Ozarks	142,569	6,421
* Sally Beauty Holdings Inc.	1,154,620	18,509	* tronc Inc.	75,848	1,311	* Green Dot Corp. Class A	86,376	6,339
Polaris Industries Inc.	139,851	17,087	* Boot Barn Holdings Inc.	59,520	1,235	Primerica Inc.	62,676	6,243
* Skechers U.S.A. Inc. Class A	506,909	15,212	H&R Block Inc.	50,253	1,145	MSCI Inc. Class A	34,659	5,734
Carter's Inc.	139,177	15,085	Brinker International Inc.	20,742	987	* SVB Financial Group	18,685	5,395
Dunkin' Brands Group Inc.	174,186	12,031	* Lumber Liquidators Holdings Inc.	37,096	903	Walker & Dunlop Inc.	92,494	5,147
Wolverine World Wide Inc.	279,140	9,706	Movado Group Inc.	17,725	856	Virtu Financial Inc. Class A	164,831	4,376
Monro Inc.	164,408	9,552	* Cambium Learning Group Inc.	76,574	854	Bank of NT Butterfield & Son Ltd.	81,937	3,746
* Under Armour Inc.	441,951	9,316	Dana Inc.	38,388	775	Houlihan Lokey Inc. Class A	68,421	3,504
Cinemark Holdings Inc.	247,573	8,685	* Zumiez Inc.	29,108	729	Legg Mason Inc.	87,273	3,031
^* RH	59,846	8,361	Entravision Communications Corp. Class A	127,888	639	Universal Insurance Holdings Inc.	85,698	3,008
National CineMedia Inc.	989,304	8,310	* Denny's Corp.	37,567	598	Evercore Inc. Class A	21,209	2,236
* Weight Watchers International Inc.	80,034	8,091	Oxford Industries Inc.	7,116	591	* NMI Holdings Inc. Class A	112,677	1,837
* Helen of Troy Ltd.	66,495	6,546	Six Flags Entertainment Corp.	8,255	578	Synovus Financial Corp.	34,376	1,816
* NVR Inc.	2,142	6,363	* Cooper-Standard Holdings Inc.	4,226	552	* Enova International Inc.	41,360	1,512
* Urban Outfitters Inc.	140,908	6,277	* America's Car-Mart Inc.	8,910	552	East West Bancorp Inc.	18,660	1,217
* Deckers Outdoor Corp.	53,955	6,091				Green Bancorp Inc.	53,226	1,150
Domino's Pizza Inc.	20,825	5,876			361,325	* Regional Management Corp.	31,607	1,107
* Planet Fitness Inc. Class A	128,698	5,655	Consumer Staples (1.4%)			Heritage Insurance Holdings Inc.	63,360	1,056
Lear Corp.	29,297	5,444	Medifast Inc.	42,784	6,852	* Bofl Holding Inc.	20,497	839
Tailored Brands Inc.	208,933	5,332	* Casey's General Stores Inc.	64,929	6,823	^* Credit Acceptance Corp.	2,175	769
World Wrestling Entertainment Inc. Class A	69,949	5,094	* Boston Beer Co. Inc. Class A	11,718	3,512	SEI Investments Co.	12,100	756
Bloomin' Brands Inc.	246,507	4,955	* National Beverage Corp.	27,791	2,971	Enterprise Financial Services Corp.	10,764	581
* Crocs Inc.	278,907	4,912	* USANA Health Sciences Inc.	17,131	1,975	Preferred Bank	8,939	549
Wyndham Hotels & Resorts Inc.	80,661	4,745	Lamb Weston Holdings Inc.	23,826	1,632			114,602
* Penn National Gaming Inc.	136,973	4,601	Calavo Growers Inc.	16,317	1,569	Health Care (19.2%)		
^ PetMed Express Inc.	100,460	4,425	* Sprouts Farmers Market Inc.	70,634	1,559	STERIS plc	140,618	14,766
* MCBC Holdings Inc.	152,762	4,422	* US Foods Holding Corp.	16,397	620	* Synecos Health Inc.	274,355	12,867
Dick's Sporting Goods Inc.	124,351	4,383	* Performance Food Group Co.	16,249	596	* athenahealth Inc.	79,536	12,657
Dine Brands Global Inc.	57,906	4,331	* Chefs' Warehouse Inc.	20,578	587	* Prestige Brands Holdings Inc.	296,214	11,369
* Michael Kors Holdings Ltd.	64,046	4,266			28,696	* MEDNAX Inc.	233,044	10,086
Vail Resorts Inc.	14,363	3,938	Energy (0.9%)			* WellCare Health Plans Inc.	35,997	8,864
New York Times Co. Class A	140,892	3,649	* W&T Offshore Inc.	597,162	4,270	^* Immunomedics Inc.	359,487	8,509
Winnbago Industries Inc.	82,112	3,334	* ProPetro Holding Corp.	224,023	3,513	* Catalent Inc.	195,158	8,175
Churchill Downs Inc.	9,718	2,881	* RigNet Inc.	221,753	2,284	* Hiron Therapeutics Inc.	208,969	8,118
BJ's Restaurants Inc.	47,294	2,838	^ CVR Energy Inc.	40,937	1,514	Encompass Health Corp.	114,390	7,746
* Live Nation Entertainment Inc.	54,930	2,668	* Solaris Oilfield Infrastructure Inc. Class A	81,426	1,164	* Veeva Systems Inc. Class A	98,378	7,561
* Five Below Inc.	27,206	2,658	* Nine Energy Service Inc.	32,747	1,085	* Nevro Corp.	94,032	7,508
Toll Brothers Inc.	69,718	2,579	* Par Pacific Holdings Inc.	52,259	908	* Medidata Solutions Inc.	91,704	7,388
* ZAGG Inc.	143,564	2,484	* Denbury Resources Inc.	147,930	711	* Neurocrine Biosciences Inc.	74,755	7,344
* Sotheby's	44,986	2,445	* Abraxas Petroleum Corp.	235,984	682	Chemed Corp.	22,657	7,291
^ Lions Gate Entertainment Corp. Class A	83,683	2,077	* Northern Oil and Gas Inc.	210,879	664	Cooper Cos. Inc.	30,742	7,238
* Sleep Number Corp.	71,303	2,069	* Renewable Energy Group Inc.	36,802	657	* HealthEquity Inc.	94,919	7,128
Ruth's Hospitality Group Inc.	68,202	1,913	* CONSOL Energy Inc.	16,846	646	* DexCom Inc.	73,352	6,967
					18,098	* Inogen Inc.	37,170	6,926
						* Charles River Laboratories International Inc.	61,394	6,892

Small Company Growth Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Exact Sciences Corp.	109,797	6,565	* Addus HomeCare Corp.	14,544	833	* Rush Enterprises Inc.		
* Haemonetics Corp.	72,082	6,464	* Ensign Group Inc.	22,632	811	Class A	93,862	4,072
* PRA Health Sciences Inc.	67,074	6,262	* Reata Pharmaceuticals Inc.			KBR Inc.	217,469	3,897
* Endologix Inc.	1,046,045	5,921	Class A	22,196	776	ArcBest Corp.	72,353	3,307
* ABIOMED Inc.	13,419	5,489	^* MiMedx Group Inc.	121,030	773	* Meritor Inc.	159,512	3,281
* Masimo Corp.	55,253	5,395	* Inspire Medical Systems Inc.	21,283	759	* Builders FirstSource Inc.	176,074	3,220
* Agios Pharmaceuticals Inc.	60,737	5,116	* Exelixis Inc.	31,765	684	* TrueBlue Inc.	110,271	2,972
* Triple-S Management Corp.			* Pieris Pharmaceuticals Inc.	130,735	663	Dun & Bradstreet Corp.	24,160	2,963
Class B	127,756	4,990	* Insys Therapeutics Inc.	90,092	652	* Gardner Denver Holdings Inc.	97,885	2,877
* AxoGen Inc.	99,263	4,988	* Conatus Pharmaceuticals Inc.	152,005	651	* Casella Waste Systems Inc. Class A	110,333	2,826
* Atara Biotherapeutics Inc.	133,683	4,913	* NanoString Technologies Inc.	46,499	636	IDEX Corp.	20,583	2,809
* Revance Therapeutics Inc.	173,625	4,766	* Magellan Health Inc.	6,390	613	* PGT Innovations Inc.	129,087	2,691
* DBV Technologies SA ADR	243,374	4,695	* Marinus Pharmaceuticals Inc.	85,076	601	H&E Equipment Services Inc.	71,454	2,687
* Ionis Pharmaceuticals Inc.	110,859	4,619	* Epizyme Inc.	44,354	601	Global Brass & Copper Holdings Inc.	80,156	2,513
* Align Technology Inc.	13,478	4,611	* Surmodics Inc.	10,882	601	* Axon Enterprise Inc.	39,409	2,490
* Insulet Corp.	53,797	4,610	* Mirati Therapeutics Inc.	12,087	596	* Aerojet Rocketdyne Holdings Inc.	82,919	2,445
* Nektar Therapeutics Class A	93,707	4,576	^* Sorrento Therapeutics Inc.	81,463	587	* XPO Logistics Inc.	23,251	2,329
* Omnicell Inc.	80,050	4,199	* Jounce Therapeutics Inc.	74,991	574	^ ADT Inc.	267,977	2,318
* Tivity Health Inc.	115,083	4,051	* Voyager Therapeutics Inc.	28,994	567	Quad/Graphics Inc.	110,437	2,300
* Bruker Corp.	139,280	4,045	* Intellia Therapeutics Inc.	20,542	562	* Copa Holdings SA Class A	22,956	2,172
* Acorda Therapeutics Inc.	140,605	4,035	* Tactile Systems Technology Inc.	10,424	542	* SP Plus Corp.	57,789	2,150
* Spectrum Pharmaceuticals Inc.	192,080	4,026	* Viking Therapeutics Inc.	47,727	453	* Avis Budget Group Inc.	61,386	1,995
* Halozyme Therapeutics Inc.	235,715	3,977	* Corium International Inc.	53,950	432	* CAI International Inc.	79,219	1,841
* Array BioPharma Inc.	212,640	3,568			382,917	* Herc Holdings Inc.	32,352	1,823
* Loxo Oncology Inc.	20,498	3,556	Industrials (23.2%)			Inspirety Inc.	17,057	1,625
* Akebia Therapeutics Inc.	347,727	3,470	* TriNet Group Inc.	661,106	36,982	Greenbrier Cos. Inc.	28,526	1,505
* Providence Service Corp.	43,447	3,413	* Sensata Technologies Holding plc	542,122	25,794	* Copart Inc.	24,519	1,387
* Tenet Healthcare Corp.	99,100	3,327	* Clean Harbors Inc.	378,926	21,049	Xylem Inc.	20,147	1,357
* Medpace Holdings Inc.	74,781	3,216	* Multi-Color Corp.	278,379	17,997	Kaman Corp.	19,414	1,353
* Mettler-Toledo International Inc.	5,291	3,062	* Kirby Corp.	210,997	17,639	Barrett Business Services Inc.	13,469	1,301
* AMN Healthcare Services Inc.	52,092	3,053	MSC Industrial Direct Co. Inc. Class A	203,958	17,306	Primoris Services Corp.	46,880	1,277
* Emergent BioSolutions Inc.	57,650	2,911	Tennant Co.	211,852	16,736	Covanta Holding Corp.	72,495	1,196
* REGENXBIO Inc.	40,052	2,874	HEICO Corp. Class A	247,890	15,109	Hillenbrand Inc.	25,231	1,190
* Enanta Pharmaceuticals Inc.	22,844	2,648	Heartland Express Inc.	789,730	14,649	* Gates Industrial Corp. plc	72,513	1,180
Phibro Animal Health Corp. Class A	55,277	2,545	* Cimpress NV	92,788	13,451	* SPX FLOW Inc.	25,399	1,112
* Endo International plc	268,484	2,532	Forward Air Corp.	212,762	12,570	KAR Auction Services Inc.	19,464	1,067
* Myriad Genetics Inc.	66,655	2,491	* Middleby Corp.	120,300	12,562	Kimball International Inc. Class B	64,327	1,039
* Sangamo Therapeutics Inc.	173,274	2,460	Kennametal Inc.	343,767	12,341	McGrath RentCorp	15,529	982
* IQVIA Holdings Inc.	22,260	2,222	John Bean Technologies Corp.	137,410	12,216	* GMS Inc.	36,077	977
* Genomic Health Inc.	41,711	2,102	ABM Industries Inc.	402,422	11,743	* SPX Corp.	27,454	962
* ICU Medical Inc.	6,930	2,035	Allegion plc	136,824	10,585	Spartan Motors Inc.	59,467	898
* PTC Therapeutics Inc.	59,267	1,999	Woodward Inc.	129,364	9,943	Kforce Inc.	21,654	743
* Depomed Inc.	294,781	1,966	Wabtec Corp.	87,191	8,595	* TPI Composites Inc.	22,873	669
* Concert Pharmaceuticals Inc.	116,178	1,955	* Evoqua Water Technologies Corp.	387,137	7,936	* ASGN Inc.	8,418	658
^* TransEnterix Inc.	447,109	1,949	Ritchie Bros Auctioneers Inc.	224,760	7,669	* Atkore International Group Inc.	26,740	555
^* PolarityTE Inc.	77,397	1,822	* HD Supply Holdings Inc.	177,425	7,610	Old Dominion Freight Line Inc.	3,695	550
* ImmunoGen Inc.	180,464	1,756	Graco Inc.	158,349	7,161	* Milacron Holdings Corp.	28,925	548
* CytomX Therapeutics Inc.	75,505	1,726	Allison Transmission Holdings Inc.	172,001	6,964	* BlueLinx Holdings Inc.	14,255	535
^* PetIQ Inc.	63,181	1,697	* Proto Labs Inc.	57,643	6,857	* Sterling Construction Co. Inc.	36,318	473
* MacroGenics Inc.	80,064	1,653	* CoStar Group Inc.	15,638	6,453	DMC Global Inc.	5,000	224
* Vanda Pharmaceuticals Inc.	86,054	1,639	* Generac Holdings Inc.	120,425	6,230			462,636
* FibroGen Inc.	25,916	1,622	Huntington Ingalls Industries Inc.	27,132	5,882	Information Technology (20.9%)		
Luminex Corp.	54,684	1,615	* Harsco Corp.	260,486	5,757	CDW Corp.	299,970	24,235
* Prothena Corp. plc	105,062	1,532	EMCOR Group Inc.	70,777	5,392	* Trimble Inc.	576,868	18,944
* Madrigal Pharmaceuticals Inc.	5,015	1,403	* United Rentals Inc.	36,412	5,375	SS&C Technologies Holdings Inc.	343,436	17,824
LeMaitre Vascular Inc.	40,949	1,371	* Continental Building Products Inc.	141,150	4,453	LogMeIn Inc.	128,014	13,217
* Endocyte Inc.	89,903	1,241	Spirit AeroSystems Holdings Inc. Class A	49,927	4,289	* Shutterstock Inc.	275,828	13,091
* STAAR Surgical Co.	38,642	1,198				* CyberArk Software Ltd.	191,779	12,074
* Novavax Inc.	764,712	1,025				* Descartes Systems Group Inc.	331,591	10,777
* IDEXX Laboratories Inc.	4,343	947						
^* CryoPort Inc.	59,317	936						
* NewLink Genetics Corp.	195,928	933						
* CorVel Corp.	16,809	908						
* Orthofix International NV	15,115	859						

Small Company Growth Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Euronet Worldwide Inc.	120,198	10,069	* Care.com Inc.	80,391	1,679	First Industrial Realty Trust Inc.	97,065	3,236
* Advanced Micro Devices Inc.	670,245	10,047	^* Unisys Corp.	130,097	1,678	National Health Investors Inc.	41,852	3,084
j2 Global Inc.	113,019	9,789	* Immersion Corp.	106,805	1,649	EastGroup Properties Inc.	28,865	2,759
^ Switch Inc.	797,818	9,709	* TTEC Holdings Inc.	44,006	1,520	* Marcus & Millichap Inc.	37,199	1,451
* Cadence Design Systems Inc.	210,937	9,136	* PTC Inc.	15,090	1,416	Gaming and Leisure Properties Inc.	28,205	1,010
* Fortinet Inc.	130,127	8,124	* Nanometrics Inc.	30,595	1,083	Universal Health Realty Income Trust	11,100	710
* Etsy Inc.	188,116	7,937	* TechTarget Inc.	37,505	1,065	Taubman Centers Inc.	10,874	639
* Presidio Inc.	584,179	7,653	* A10 Networks Inc.	168,134	1,047	RMR Group Inc. Class A	7,523	590
Belden Inc.	123,343	7,539	* Diodes Inc.	26,949	929	* Altisource Portfolio Solutions SA	19,430	567
* ON Semiconductor Corp.	334,865	7,446	* Cardtronics plc Class A	37,217	900			37,211
* Zebra Technologies Corp.	51,249	7,341	* Arista Networks Inc.	3,216	828	Telecommunication Services (0.4%)		
Booz Allen Hamilton Holding Corp. Class A	162,932	7,125	* Avid Technology Inc.	137,266	714	* Boingo Wireless Inc.	210,287	4,750
* RealPage Inc.	122,483	6,749	* PFSweb Inc.	73,268	712	* Vonage Holdings Corp.	134,173	1,729
* RingCentral Inc. Class A	94,076	6,618	* Endurance International Group Holdings Inc.	69,444	691	* Zayo Group Holdings Inc.	27,865	1,017
Science Applications International Corp.	79,384	6,425	* Rosetta Stone Inc.	42,048	674			7,496
* 2U Inc.	76,458	6,389	* Sykes Enterprises Inc.	22,849	658	Utilities (0.2%)		
* Gartner Inc.	47,819	6,355	Cohu Inc.	25,478	624	NRG Energy Inc.	133,367	4,094
* Nutanix Inc.	121,013	6,241	* Altair Engineering Inc. Class A	18,020	616	Total Common Stocks (Cost \$1,629,079)		1,893,059
* Cornerstone OnDemand Inc.	130,416	6,186	* Carbonite Inc.	17,199	600	Temporary Cash Investments (6.5%)¹		
^* Stratasys Ltd.	315,368	6,036	* Virtusa Corp.	12,211	594	Money Market Fund (6.2%)		
* New Relic Inc.	58,511	5,886	* Control4 Corp.	24,283	590	^{3,4} Vanguard Market Liquidity Fund, 2.122%	1,232,660	123,278
Broadridge Financial Solutions Inc.	51,063	5,877	* Axcelis Technologies Inc.	29,009	574			
* Take-Two Interactive Software Inc.	49,273	5,832	Cabot Microelectronics Corp.	5,261	566			
^* 3D Systems Corp.	412,490	5,696	* XO Group Inc.	17,530	561			
* Atlassian Corp. plc Class A	89,278	5,582	* Ichor Holdings Ltd.	25,992	552			
* Square Inc.	89,830	5,537	Entegris Inc.	15,922	540			
* ChannelAdvisor Corp.	385,815	5,421	* ANSYS Inc.	2,727	475			
* GrubHub Inc.	50,832	5,333			418,480			
MAXIMUS Inc.	85,361	5,302	Materials (2.9%)					
* Syntel Inc.	161,259	5,175	Graphic Packaging Holding Co.	687,660	9,978		Face Amount (\$000)	
* Appfolio Inc.	82,634	5,053	Louisiana-Pacific Corp.	207,652	5,652	U.S. Government and Agency Obligations (0.3%)		
^* Match Group Inc.	123,440	4,782	Huntsman Corp.	179,018	5,227	⁵ United States Treasury Bill, 1.934%, 10/11/18	300	298
* Stamps.com Inc.	17,514	4,432	Westlake Chemical Corp.	46,223	4,975	⁵ United States Treasury Bill, 2.022%–2.078%, 11/15/18	4,200	4,168
* Workiva Inc.	176,291	4,301	Boise Cascade Co.	99,777	4,460	United States Treasury Bill, 2.082%, 12/20/18	2,000	1,981
* Glu Mobile Inc.	660,638	4,235	Chemours Co.	100,510	4,459			6,447
Plantronics Inc.	53,265	4,061	Packaging Corp. of America	38,154	4,265	Total Temporary Cash Investments (Cost \$129,731)		129,725
Teradyne Inc.	98,448	3,748	* Koppers Holdings Inc.	96,450	3,699	Total Investments (101.3%) (Cost \$1,758,810)		2,022,784
* Pure Storage Inc. Class A	150,951	3,605	Greif Inc. Class A	60,948	3,223	Other Assets and Liabilities (-1.3%)		
* Aptio Inc. Class A	94,154	3,408	* AdvanSix Inc.	77,111	2,825	Other Assets		12,148
* Five9 Inc.	94,943	3,282	Kronos Worldwide Inc.	91,051	2,051	Liabilities ⁴		(38,342)
* Aspen Technology Inc.	30,413	2,820	* Owens-Illinois Inc.	114,072	1,918			(26,194)
* NCR Corp.	89,283	2,677	* Verso Corp.	58,720	1,278	Net Assets (100%)		
* Cargurus Inc.	75,384	2,619	* Ingevity Corp.	11,364	919	Applicable to 83,397,244 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)		1,996,590
* Box Inc.	104,393	2,609	Myers Industries Inc.	37,712	724	Net Asset Value Per Share		\$23.94
* Splunk Inc.	25,726	2,550	WR Grace & Co.	8,563	628			
* Everi Holdings Inc.	334,426	2,408	* GCP Applied Technologies Inc.	21,664	627			
* Fair Isaac Corp.	11,798	2,281	PolyOne Corp.	13,785	596			
MKS Instruments Inc.	23,447	2,244			57,504			
* Amkor Technology Inc.	249,726	2,145	Other (0.0%)					
* Ultra Clean Holdings Inc.	117,418	1,949	² NuPathe Inc. CVR	345,900	—			
* SMART Global Holdings Inc.	59,729	1,904	Real Estate (1.9%)					
Systemax Inc.	54,623	1,875	National Storage Affiliates Trust	369,866	11,399			
* Versum Materials Inc.	49,777	1,849	CubeSmart	190,597	6,141			
* ePlus Inc.	19,230	1,809	Ryman Hospitality Properties Inc.	67,651	5,625			
^* Ubiquiti Networks Inc.	21,354	1,809						
* Hortonworks Inc.	97,329	1,773						

	Amount (\$000)
Statement of Assets and Liabilities	
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	1,899,506
Affiliated Issuers	123,278
Total Investments in Securities	2,022,784
Investment in Vanguard	104
Receivables for Investment Securities Sold	9,573
Receivables for Accrued Income	913
Receivables for Capital Shares Issued	1,334
Other Assets	224
Total Assets	2,034,932
Liabilities	
Payables for Investment Securities	
Purchased	8,319
Collateral for Securities on Loan	22,249
Payables to Investment Advisor	510
Payables for Capital Shares Redeemed	4,533
Payables to Vanguard	1,404
Variation Margin Payable—Futures Contracts	149
Other Liabilities	1,178
Total Liabilities	38,342
Net Assets	1,996,590

At June 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,574,916
Undistributed Net Investment Income	1,733
Accumulated Net Realized Gains	157,322
Unrealized Appreciation (Depreciation)	
Investment Securities	263,974
Futures Contracts	(1,355)
Net Assets	1,996,590

• 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 \$20,953,000.

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 98.7% and 2.6%, respectively, of net assets.

2 Security value determined using significant unobservable inputs.

3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

4 Includes \$22,249,000 of collateral received for securities on loan.

5 Securities with a value of \$3,375,000 have been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

CVR—Contingent Value Rights.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini Russell 2000 Index	September 2018	932	76,774	(1,355)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018 (\$000)
Investment Income	
Income	
Dividends ¹	5,338
Interest ²	819
Securities Lending—Net	306
Total Income	6,463
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,342
Performance Adjustment	66
The Vanguard Group—Note C	
Management and Administrative	1,527
Marketing and Distribution	151
Custodian Fees	19
Shareholders' Reports	13
Trustees' Fees and Expenses	1
Total Expenses	3,119
Net Investment Income	3,344
Realized Net Gain (Loss)	
Investment Securities Sold ²	151,296
Futures Contracts	6,366
Realized Net Gain (Loss)	157,662
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ²	6,230
Futures Contracts	(1,547)
Change in Unrealized Appreciation (Depreciation)	4,683
Net Increase (Decrease) in Net Assets Resulting from Operations	165,689

¹ Dividends are net of foreign withholding taxes of \$7,000.

² Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$791,000, \$6,000, and less than \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018 (\$000)	Year Ended December 31, 2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	3,344	7,461
Realized Net Gain (Loss)	157,662	196,033
Change in Unrealized Appreciation (Depreciation)	4,683	122,310
Net Increase (Decrease) in Net Assets Resulting from Operations	165,689	325,804
Distributions		
Net Investment Income	(7,284)	(7,204)
Realized Capital Gain ¹	(197,105)	(99,295)
Total Distributions	(204,389)	(106,499)
Capital Share Transactions		
Issued	243,482	279,625
Issued in Lieu of Cash Distributions	204,389	106,499
Redeemed	(162,731)	(252,694)
Net Increase (Decrease) from Capital Share Transactions	285,140	133,430
Total Increase (Decrease)	246,440	352,735
Net Assets		
Beginning of Period	1,750,150	1,397,415
End of Period²	1,996,590	1,750,150

¹ Includes fiscal 2018 and 2017 short-term gain distributions totaling \$49,729,000 and \$33,769,000, 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 \$1,733,000 and \$5,673,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$24.62	\$21.50	\$20.79	\$24.14	\$26.90	\$20.08
Investment Operations						
Net Investment Income	.043 ¹	.109 ¹	.116	.078	.085	.073
Net Realized and Unrealized Gain (Loss) on Investments	2.157	4.652	2.547	(.577)	.610	8.674
Total from Investment Operations	2.200	4.761	2.663	(.499)	.695	8.747
Distributions						
Dividends from Net Investment Income	(.103)	(.111)	(.074)	(.087)	(.075)	(.160)
Distributions from Realized Capital Gains	(2.777)	(1.530)	(1.879)	(2.764)	(3.380)	(1.767)
Total Distributions	(2.880)	(1.641)	(1.953)	(2.851)	(3.455)	(1.927)
Net Asset Value, End of Period	\$23.94	\$24.62	\$21.50	\$20.79	\$24.14	\$26.90
Total Return	9.42%	23.46%	14.94%	-2.75%	3.38%	46.54%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$1,997	\$1,750	\$1,397	\$1,256	\$1,329	\$1,406
Ratio of Total Expenses to Average Net Assets ²	0.34%	0.34%	0.36%	0.37%	0.39%	0.38%
Ratio of Net Investment Income to Average Net Assets	0.40%	0.48%	0.58%	0.33%	0.34%	0.32%
Portfolio Turnover Rate	76%	93%	91%	57%	43%	64%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

¹ Calculated based on average shares outstanding.

² Includes performance-based investment advisory fee increases (decreases) of 0.01%, 0.00%, 0.00%, (0.01%), 0.01%, and 0.01%.

Notes to Financial Statements

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 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 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, 2018, the portfolio's average investments in long and short futures contracts represented 4% and 0% of net assets, respectively, based on the average of the notional amounts 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, 2014–2017), and for the period ended June 30, 2018, 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 before the opening of the market 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, 2018, 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. The investment advisory firm ArrowMark Colorado Holdings, LLC, provides investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee of ArrowMark Colorado Holdings, LLC, is subject to quarterly adjustments based on performance relative to the Russell 2500 Growth Index since March 31, 2016.

Vanguard provides investment advisory services to a portion of the portfolio as described below; the portfolio paid Vanguard advisory fees of \$412,000 for the six months ended June 30, 2018.

For the six months ended June 30, 2018, 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 \$66,000 (0.01%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio 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. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$104,000, 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). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	1,893,059	—	—
Temporary Cash Investments	123,278	6,447	—
Futures Contracts—Liabilities ¹	(149)	—	—
Total	2,016,188	6,447	—

¹ Represents variation margin on the last day of the reporting period.

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, 2018, the cost of investment securities for tax purposes was \$1,758,810,000. Net unrealized appreciation of investment securities for tax purposes was \$263,974,000, consisting of unrealized gains of \$338,451,000 on securities that had risen in value since their purchase and \$74,477,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2018, the portfolio purchased \$726,703,000 of investment securities and sold \$664,492,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	10,123	12,208
Issued in Lieu of Cash Distributions	8,894	5,074
Redeemed	(6,719)	(11,169)
Net Increase (Decrease) in Shares Outstanding	12,298	6,113

At June 30, 2018, 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 45% 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 events or transactions occurred subsequent to June 30, 2018, 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, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
Small Company Growth Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,094.21	\$1.77
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.11	1.71

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 0.34%. 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 arrangements with ArrowMark Colorado Holdings, 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.

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 has managed a portion of the portfolio since 2016.

Vanguard. Vanguard has been managing investments for more than four 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 in the Performance Summary section of this report.

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 in the About Your Portfolio's Expenses section as well as in the Financial Statements section, which also includes information about the portfolio's advisory expense rate.

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 Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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 208 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) of the Children's Hospital of Philadelphia.

Independent Trustees

Emerson U. Fullwood

Born in 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). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. 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 University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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 in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its 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. 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 in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) 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 in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 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.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Peter F. Volanakis

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). 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 in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard and global head of Fund Administration at Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG LLP (audit, tax, and advisory services).

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

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

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Q692SCG 082018



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