



# The Patriot

## Sentry Variable Account II

Semi-annual Report  
June 30, 2019

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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## Notice of Reliance on Rule 30e-3

As a variable product customer of Sentry Life Insurance Company you need to know about a change in the delivery method of fund shareholder reports.

Beginning January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, copies of the Patriot Variable Annuity shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from Sentry Life Insurance Company. Instead, the reports will be made available on our website. You will be notified by mail each time a report is posted and provided with a website link to access the report.

This optional delivery method is intended to modernize the manner in which periodic information is made available to investors, which we believe will improve investors' experience while reducing expenses associated with printing and mailing shareholder reports.

You may elect to receive all future shareholder reports in paper form at no cost to you. Your election to receive paper reports will apply to all funds held in your Patriot Variable Annuity with Sentry Life Insurance Company.

We value you as our customer. To request paper copies of the shareholder reports, or If you have any questions regarding your Patriot Variable Annuity please call us at 800-4SENTRY (800-473-6879) or email us at [equities@sentry](mailto:equities@sentry).

# Janus Henderson VIT Balanced Portfolio

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## Janus Aspen Series

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the insurance company that offers your variable life insurance contract or variable annuity contract, may determine that it will no longer send you paper copies of the Portfolio's shareholder reports, unless you specifically request paper copies of the reports. Beginning on January 1, 2021, for shareholders who are not insurance contract holders, paper copies of the Portfolio's shareholder reports will no longer be sent by mail unless you specifically request paper copies of the reports. Instead, the reports will be made available on a website, and your insurance company or plan sponsor, broker-dealer, or financial intermediary will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company or plan sponsor, broker-dealer, or financial intermediary.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Portfolio electronically by contacting your insurance company or plan sponsor, broker-dealer, or other financial intermediary.

You may elect to receive all future reports in paper free of charge by contacting your insurance company or plan sponsor, broker dealer or other financial intermediary. Your election to receive reports in paper will apply to all funds held in your account with your insurance company or plan sponsor, broker dealer or other financial intermediary.

### 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 12.86% and 12.71%, respectively, for the six-month period ended June 30, 2019. That compares with 18.54% for the Portfolio's primary benchmark, the S&P 500<sup>®</sup> Index, and 6.11% 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 13.01%.

## INVESTMENT ENVIRONMENT

Stocks gained ground during the period. Early on, the Federal Reserve (Fed) signaled it would hold rates steady in 2019, in stark contrast to its 2018 indication that it would hike this year, which supported equity markets. Resilient corporate profits and better-than-expected GDP growth also propelled stocks. Economic data, particularly related to global manufacturing, weakened later in the period, and U.S.-China trade negotiations caused some volatility, raising fear that trade tensions could dent an already-slowing global economy. But the expectation for more accommodative monetary policy from central banks, including a potential rate cut by the Fed, drove equities higher again near period end. Major equity indices ended the period with double-digit percentage gains. Within the S&P 500 Index, all sectors generated positive returns with information technology, consumer discretionary and industrials leading the pack. The health care, energy and utilities sectors lagged.

The risk appetite for corporate credit generally tracked that of equities, with investment-grade and high-yield spreads (the difference in yield between corporate securities and their underlying risk-free benchmarks) fluctuating, but ultimately finishing tighter. Treasuries also rallied, and lower yields further supported returns in

corporate credit. The yield on the 10-year note closed the period at 2.01%, down from 2.68% in December.

## PERFORMANCE DISCUSSION

The equity-to-fixed-income allocation ended the period approximately 60% equity, 40% 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 performed in line with the S&P 500 Index. Security selection in health care weighed on relative results, with two of the Portfolio's three largest individual detractors falling into this category. This included biopharmaceuticals company AbbVie. Early in the period, the company reported declining non-U.S. sales for its blockbuster rheumatoid arthritis drug, Humira, which now faces biosimilar competition in Europe. Further weighing on the name were uncertainties pertaining to changes to the management team and concern around whether the company's pipeline could help replace some of the lost Humira sales. In the latter half of the period, political rhetoric around pharmaceutical drug prices and Democratic candidate proposals of health care for all pressured health care names across the board. We have been re-evaluating our health care exposure amid the uncertainty and finished the period underweight, which offset some of the losses from stock selection in the sector. We also trimmed our position in AbbVie.

Pharmaceutical company Bristol-Myers Squibb also detracted. During the period, the company announced it would acquire Celgene for \$74 billion. Investors became concerned of the premium Bristol-Myers Squibb was paying for Celgene considering it is facing patent challenges of its multiple myeloma drug Revlimid and is being forced to divest two high-value drugs. We added to the position as we believe the deal should help expand Bristol-Myers' pipeline and create cost synergies.

## Janus Henderson VIT Balanced Portfolio (unaudited)

Stock selection in the industrials and consumer staples sectors also weighed on relative performance.

Supermarket chain Kroger was among the top individual detractors. The company's three-year "Restock Kroger" plan, designed to improve shareholder value, got off to a slower-than-expected start. Kroger's investments in its omnichannel shopping initiatives and in-store grocery pickup are also likely to come at a substantially higher-than-expected cost, resulting in concerns over the company's ability to meet its operating targets and return value to shareholders. In light of these factors, and heightened competition from Amazon and Walmart in the grocer arena, we trimmed our exposure and continue to review our position.

While the aforementioned holdings disappointed, we were pleased with other aspects of performance. Our overweight allocation and stock selection in the strong-performing information technology sector benefited relative results. Microsoft was the strongest individual contributor to performance. The company's Azure cloud platform and subscription-based Office 365 suite continue to grow, and the demand outlook for these products remains robust.

Multinational financial services corporation Mastercard was another contributor. The company is growing faster than its competition and benefiting from smart acquisitions and its fixed-cost business model, which is resulting in high incremental margins. Payments companies continue to benefit as credit cards and electronic payments grow in popularity among consumers and businesses globally.

Membership-only warehouse club Costco also contributed. The company has been growing its grocery business and expanding its organics line, and the retailer is well positioned from a competitor standpoint to take market share. Costco's international growth prospects are another attractive aspect as it continues to see strong customer reception in new and existing countries.

The Portfolio's fixed income sleeve outperformed the Bloomberg Barclays U.S. Aggregate Bond Index. The tailwind we expect from the Fed's accommodative pivot and subsequent pledge to "act as appropriate" to sustain the economic expansion led us to add to our U.S.-based corporate credit allocation. Our expectation for limited net new issuance coupled with strong demand amid investors' search for yield also contributed to our decision to raise our allocation off a multi-year low. While we have added selectively to what we believe are higher-quality business

models in high yield, the increase has been primarily in the investment-grade sector. Given the Fed's next move will likely be a cut, we continued to reduce our floating rate exposure, including positions in certain asset-backed securities (ABS), commercial mortgage-backed securities (CMBS) and bank loans. We also trimmed our Treasury allocation, but shifted into longer-dated Treasury exposure to help balance the risk from our increased corporate credit allocation. We expect lower Treasury yields and a relatively flat curve as U.S. yields remain attractive versus their global peers. The increase in long-dated Treasuries contributed to the lengthening of the fixed income sleeve's overall duration (a measure of sensitivity to changes in interest rates), which ended the period at approximately 112% of the index.

The Portfolio's out-of-index allocation to high-yield corporate bonds contributed to relative performance during the spread-tightening environment. Adding Treasury duration also proved beneficial, as our bias to longer-dated bonds benefited results during the period's rally in rates. Our additions to investment-grade corporates, the strongest-performing benchmark sector, also supported relative results.

A modest cash balance detracted from relative performance, given the strong performance in riskier assets during the period. Although we significantly reduced our floating-rate exposure, front-end and floating rate collateralized mortgage obligations, ABS, CMBS, and collateralized loan obligations also detracted from relative performance, largely due to their lack of duration.

### OUTLOOK

Myriad geopolitical and economic uncertainties continue to trouble investors – from slowing global growth to trade tensions, U.S.-Iran relations and the upcoming U.S. presidential campaign season. Political rhetoric around U.S. technology companies, drug pricing and health care for all are already creating challenges for investors. While all of these have the potential to generate bouts of market volatility, our outlook for equities remains positive overall. U.S. economic growth is relatively healthy and company growth, while slowing, is still constructive. More accommodative policy from the Fed will also serve as a tailwind for stocks. We believe there is a high probability the Fed will announce one interest rate cut this year, although second quarter earnings will provide more clarity into the underlying health of the economy. We are optimistic for a resolution to U.S.-China trade relations, which would also be a boon to equities, but even an

## Janus Henderson VIT Balanced Portfolio (unaudited)

agreement to get the Boeing 737 Max airliner back in the air could be positive for the global economy and help to ease some concerns around geopolitical tensions.

Amid this shifting landscape, we are particularly focused on companies that are disruptors in their sectors and/or benefiting from attractive secular tailwinds such as the migration to cloud technology, the rise of Software as a Service and electronic payments, and the uptick in global consumer travel. We are focused on companies that generate high levels of free cash flow that will support them through periods of volatility in both the economy and the equity market. We seek strong growth prospects with improving fundamentals, including those making investments that should drive shareholder value over time.

Within fixed income, we think both Treasuries and credit can continue to perform well in the near term. Treasury yields can continue to rally on the back of the Fed pivot and low to negative yields abroad. Supply/demand technicals also remain favorable for U.S. investment-grade corporate credit, given limited net new issuance. Further, given the constructive state of the U.S. economy and corporate fundamentals, coupled with the Fed's backstop, it is difficult to envision a sustained sell-off in corporate credit without recession risks and default rates trending higher. However, there is no doubt that the landscape can change quickly given the macro uncertainties at this late stage of the credit cycle. We believe a focus on higher-quality business models remains prudent and intend to remain diversified across fixed income asset classes. Thorough vetting of all opportunities, coupled with security avoidance remains critical.

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

# Janus Henderson VIT Balanced Portfolio (unaudited)

## Portfolio At A Glance

### June 30, 2019

#### 5 Top Performers - Holdings

	Contribution		Contribution
Microsoft Corp	1.84%	AbbVie Inc	-0.27%
Mastercard Inc	1.69%	Kroger Co	-0.19%
Costco Wholesale Corp	0.80%	Bristol-Myers Squibb Co	-0.14%
Apple Inc	0.72%	EOG Resources Inc	-0.11%
Adobe Inc	0.64%	Allergan PLC	-0.09%

#### 5 Bottom Performers - Holdings

#### 5 Top Performers - Sectors\*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Information Technology	0.61%	23.62%	20.90%
Financials	0.53%	12.67%	13.20%
Energy	0.40%	2.20%	5.31%
Real Estate	0.18%	2.81%	3.03%
Utilities	0.13%	0.00%	3.27%

#### 5 Bottom Performers - Sectors\*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Health Care	-0.61%	12.35%	14.49%
Consumer Staples	-0.37%	10.46%	7.26%
Industrials	-0.34%	12.96%	9.46%
Other**	-0.29%	1.29%	0.00%
Materials	-0.26%	2.18%	2.68%

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, 2019

#### 5 Largest Equity Holdings - (% of Net Assets)

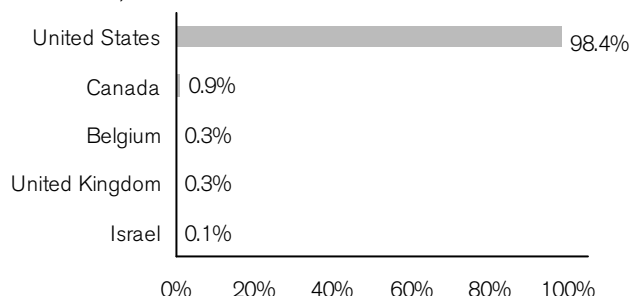
Microsoft Corp	
Software	3.7%
Mastercard Inc	
Information Technology Services	2.9%
Boeing Co	
Aerospace & Defense	2.0%
Alphabet Inc - Class C	
Interactive Media & Services	2.0%
McDonald's Corp	
Hotels, Restaurants & Leisure	2.0%
	12.6%

#### Asset Allocation - (% of Net Assets)

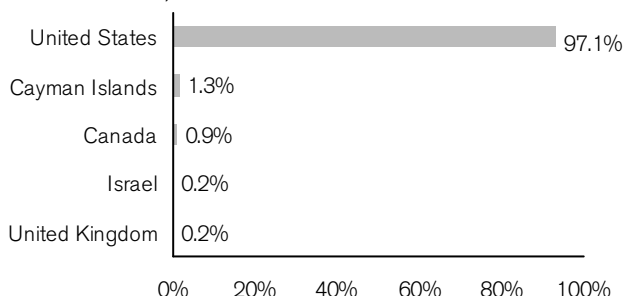
Common Stocks	59.8%
Corporate Bonds	17.7%
Mortgage-Backed Securities	10.1%
United States Treasury	
Notes/Bonds	9.0%
Asset-Backed/Commercial	
Mortgage-Backed Securities	2.6%
Investment Companies	2.2%
Bank Loans and Mezzanine Loans	0.1%
Other	(1.5)%
	100.0%

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

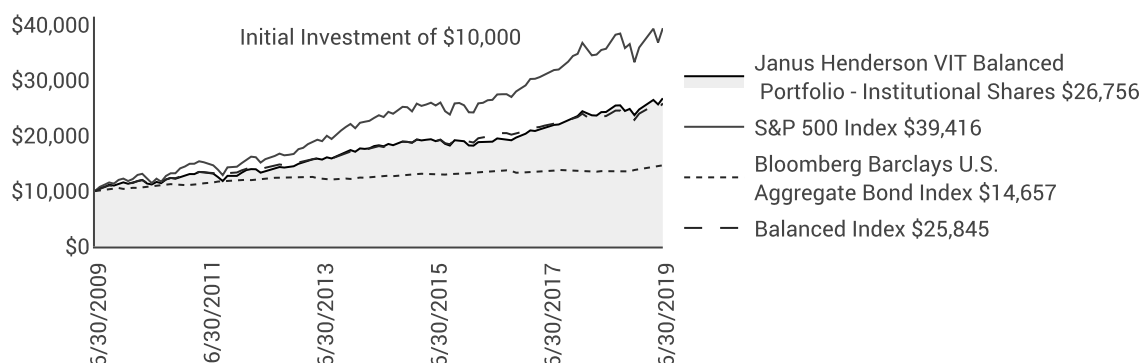
As of June 30, 2019



As of December 31, 2018



# Janus Henderson VIT Balanced Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2019						Expense Ratios - per the April 30, 2019 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	12.86%	10.18%	7.93%	10.34%	9.88%	0.63%
Service Shares	12.71%	9.92%	7.66%	10.07%	9.70%	0.88%
S&P 500 Index	18.54%	10.42%	10.71%	14.70%	9.58%	
Bloomberg Barclays U.S. Aggregate Bond Index	6.11%	7.87%	2.95%	3.90%	5.15%	
Balanced Index	13.01%	9.75%	7.36%	9.96%	7.83%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Allocation - 50% to 70% Equity Funds	-	42/748	19/682	71/556	10/217	

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](http://janushenderson.com/VITperformance).

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

Returns do not reflect the deduction of fees, charges or expenses of any insurance product or qualified plan. If applied, returns would have been lower.

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 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](http://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 (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Beginning Account Value (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Net Annualized Expense Ratio (1/1/19 - 6/30/19)
Institutional Shares	\$1,000.00	\$1,128.60	\$3.27	\$1,000.00	\$1,021.72	\$3.11	0.62%
Service Shares	\$1,000.00	\$1,127.10	\$4.59	\$1,000.00	\$1,020.48	\$4.36	0.87%

<sup>†</sup> 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, 2019

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – 2.6%		
Angel Oak Mortgage Trust I LLC 2018-2, 3.6740%, 7/27/48 (144A) <sup>†</sup>	\$638,531	\$649,963
Applebee's Funding LLC / IHOP Funding LLC, 4.1940%, 6/7/49 (144A)	2,871,000	2,911,953
Applebee's Funding LLC / IHOP Funding LLC, 4.7230%, 6/7/49 (144A)	1,364,000	1,390,941
Arroyo Mortgage Trust 2018-1, 3.7630%, 4/25/48 (144A) <sup>†</sup>	1,069,504	1,090,039
BAMLL Commercial Mortgage Securities Trust 2018-DSNY, ICE LIBOR USD 1 Month + 0.8500%, 3.2443%, 9/15/34 (144A) <sup>†</sup>	1,905,000	1,904,435
BBCMS 2018-TALL Mortgage Trust, ICE LIBOR USD 1 Month + 0.7220%, 3.1163%, 3/15/37 (144A) <sup>†</sup>	5,200,000	5,182,428
BBCMS Trust 2015-SRCH, 4.1970%, 8/10/35 (144A)	2,528,000	2,781,800
BX Commercial Mortgage Trust 2018-IND, ICE LIBOR USD 1 Month + 0.7500%, 3.1443%, 11/15/33 (144A) <sup>†</sup>	4,638,038	4,638,013
BXP Trust 2017-GM, 3.3790%, 6/13/39 (144A)	1,140,000	1,196,150
Credit Acceptance Auto Loan Trust 2018-2, 3.9400%, 7/15/27 (144A)	1,172,000	1,205,718
CSMLT 2015-2 Trust, 3.5000%, 8/25/45 (144A) <sup>†</sup>	1,545,312	1,568,844
DB Master Finance LLC, 3.7870%, 5/20/49 (144A)	1,641,000	1,682,195
DB Master Finance LLC, 4.0210%, 5/20/49 (144A)	663,000	681,455
DB Master Finance LLC, 4.3520%, 5/20/49 (144A)	1,312,000	1,376,425
Domino's Pizza Master Issuer LLC, 3.0820%, 7/25/47 (144A)	578,693	579,082
Domino's Pizza Master Issuer LLC, 4.1160%, 7/25/48 (144A)	779,130	804,734
Drive Auto Receivables Trust 2017-1, 5.1700%, 9/16/24	2,997,000	3,112,026
Drive Auto Receivables Trust 2017-2, 5.2700%, 11/15/24	2,613,000	2,720,248
Drive Auto Receivables Trust 2017-A, 4.1600%, 5/15/24 (144A)	1,458,000	1,484,225
Drive Auto Receivables Trust 2019-1, 4.0900%, 6/15/26	613,000	634,281
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 3.0000%, 5.4044%, 7/25/24 <sup>†</sup>	4,162,292	4,338,279
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 1.1500%, 3.5544%, 9/25/29 <sup>†</sup>	399,034	399,998
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 0.9500%, 3.3544%, 10/25/29 <sup>†</sup>	284,527	285,247
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 0.6000%, 3.0298%, 7/25/30 <sup>†</sup>	665,543	665,139
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 0.7200%, 3.1244%, 1/25/31 <sup>†</sup>	198,881	198,942
Fannie Mae Connecticut Avenue Securities 2017-C06, ICE LIBOR USD 1 Month + 0.7500%, 3.1544%, 2/25/30 <sup>†</sup>	236,195	236,229
Fannie Mae Connecticut Avenue Securities 2018-C04, ICE LIBOR USD 1 Month + 0.7500%, 3.1544%, 2/25/30 <sup>†</sup>	298,863	298,909
Fannie Mae REMICS, 3.0000%, 5/25/48	4,586,015	4,666,005
Ginnie Mae II Pool, 3.5000%, 5/20/49	4,247,647	4,335,518
Ginnie Mae II Pool, 3.5000%, 6/20/49	1,733,842	1,769,710
Government National Mortgage Association - Class FQ, ICE LIBOR USD 1 Month + 0.4500%, 2.8329%, 2/20/49 <sup>†</sup>	4,186,291	4,184,050
Government National Mortgage Association - Class QF, ICE LIBOR USD 1 Month + 0.4500%, 2.8329%, 2/20/49 <sup>†</sup>	3,693,355	3,691,343
Jack in the Box Funding, LLC 2019-1A A23, 4.9700%, 8/25/49	3,555,000	3,555,000
Jack in the Box Funding, LLC 2019-1A A2I, 3.9820%, 8/25/49	3,555,000	3,555,000
Jack in the Box Funding, LLC 2019-1A A2II, 4.4760%, 8/25/49	3,605,000	3,605,000
JP Morgan Mortgage Trust, ICE LIBOR USD 1 Month + 0.9000%, 3.3041%, 11/25/49 (144A) <sup>†</sup>	624,000	624,399
Mello Warehouse Securitization Trust 2018-1, ICE LIBOR USD 1 Month + 0.8500%, 3.2544%, 11/25/51 (144A) <sup>†</sup>	6,593,000	6,578,291
New Residential Mortgage Loan Trust 2018-2, 4.5000%, 2/25/58 (144A) <sup>†</sup>	1,231,886	1,292,568
OneMain Direct Auto Receivables Trust 2018-1, 3.8500%, 10/14/25 (144A)	570,000	587,122
OneMain Direct Auto Receivables Trust 2018-1, 4.4000%, 1/14/28 (144A)	566,000	589,190
Santander Drive Auto Receivables Trust 2016-3, 4.2900%, 2/15/24	3,056,000	3,114,105
Santander Drive Auto Receivables Trust 2018-1, 4.3700%, 5/15/25 (144A)	4,050,000	4,098,809
Sequoia Mortgage Trust 2018-7 A19, 4.0000%, 9/25/48 (144A) <sup>†</sup>	962,324	975,765
Station Place Securitization Trust 2018-7, ICE LIBOR USD 1 Month + 0.8500%, 3.2796%, 9/24/19 (144A) <sup>†</sup>	6,735,248	6,735,248
Station Place Securitization Trust Series 2019-4, 3.3296%, 6/24/20 (144A) <sup>†</sup>	6,615,000	6,615,000

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, 2019

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – (continued)		
Towd Point Asset Funding, LLC 2019-HE1 A1, 3.3410%, 4/25/48 (144A)	\$4,014,000	\$4,001,235
Wachovia Bank Commercial Mortgage Trust Series 2007-C34, 6.3076%, 5/15/46 <sup>†</sup>	205,657	207,897
Wells Fargo Mortgage Backed Securities 2018-1, 3.5000%, 7/25/47 (144A) <sup>†</sup>	790,075	791,658
Wells Fargo Mortgage Backed Securities 2019-1 Trust, 4.0000%, 11/25/48 (144A) <sup>†</sup>	1,602,834	1,629,393
Wells Fargo Mortgage Backed Securities 2019-2 Trust, 4.0000%, 4/25/49 (144A) <sup>†</sup>	1,531,059	1,549,753
Wendy's Funding LLC, 3.5730%, 3/15/48 (144A)	1,076,605	1,088,095
WinWater Mortgage Loan Trust 2015-5, 3.5000%, 8/20/45 (144A) <sup>†</sup>	4,855,611	4,929,521
Total Asset-Backed/Commercial Mortgage-Backed Securities (cost \$117,707,419)		118,787,373
Bank Loans and Mezzanine Loans – 0.1%		
Electric – 0.1%		
Vistra Operations Co LLC, ICE LIBOR USD 1 Month + 2.0000%, 4.4024%, 8/4/23 <sup>†</sup> (cost \$4,597,075)	4,585,444	4,576,869
Corporate Bonds – 17.7%		
Banking – 2.5%		
Bank of America Corp, ICE LIBOR USD 3 Month + 1.5120%, 3.7050%, 4/24/28 <sup>†</sup>	13,470,000	14,146,763
Bank of America Corp, ICE LIBOR USD 3 Month + 1.0700%, 3.9700%, 3/5/29 <sup>†</sup>	3,294,000	3,521,232
Bank of America Corp, ICE LIBOR USD 3 Month + 1.2100%, 3.9740%, 2/7/30 <sup>†</sup>	4,455,000	4,771,207
Bank of Montreal, 3.3000%, 2/5/24	4,392,000	4,553,454
Citigroup Inc, ICE LIBOR USD 3 Month + 1.5630%, 3.8870%, 1/10/28 <sup>†</sup>	16,551,000	17,503,042
Citizens Financial Group Inc, 3.7500%, 7/1/24	860,000	873,332
Citizens Financial Group Inc, 4.3500%, 8/1/25	613,000	643,108
Citizens Financial Group Inc, 4.3000%, 12/3/25	2,207,000	2,333,700
First Republic Bank/CA, 4.6250%, 2/13/47	1,653,000	1,777,437
Goldman Sachs Capital I, 6.3450%, 2/15/34	3,650,000	4,585,165
JPMorgan Chase & Co, ICE LIBOR USD 3 Month + 1.2450%, 3.9600%, 1/29/27 <sup>†</sup>	7,054,000	7,541,187
JPMorgan Chase & Co, ICE LIBOR USD 3 Month + 1.3370%, 3.7820%, 2/1/28 <sup>†</sup>	4,935,000	5,229,418
JPMorgan Chase & Co, ICE LIBOR USD 3 Month + 1.3300%, 4.4520%, 12/5/29 <sup>†</sup>	13,273,000	14,761,772
JPMorgan Chase & Co, ICE LIBOR USD 3 Month + 1.1600%, 3.7020%, 5/6/30 <sup>†</sup>	4,344,000	4,578,270
Morgan Stanley, 4.3500%, 9/8/26	3,985,000	4,271,516
Morgan Stanley, 3.9500%, 4/23/27	6,273,000	6,558,554
Morgan Stanley, ICE LIBOR USD 3 Month + 1.6280%, 4.4310%, 1/23/30 <sup>†</sup>	7,582,000	8,393,955
Synchrony Financial, 4.3750%, 3/19/24	876,000	916,882
Synchrony Financial, 3.9500%, 12/1/27	3,704,000	3,698,036
Synchrony Financial, 5.1500%, 3/19/29	3,446,000	3,711,502
		114,369,532
Basic Industry – 1.4%		
Allegheny Technologies Inc, 5.9500%, 1/15/21	3,219,000	3,307,523
CF Industries Inc, 4.5000%, 12/1/26 (144A)	1,481,000	1,539,270
Constellation NV, 5.7500%, 5/15/24 (144A)	4,159,000	4,252,578
Freeport-McMoRan Inc, 3.5500%, 3/1/22	11,389,000	11,403,236
Freeport-McMoRan Inc, 3.8750%, 3/15/23	4,437,000	4,437,000
Georgia-Pacific LLC, 3.1630%, 11/15/21 (144A)	4,380,000	4,441,905
Georgia-Pacific LLC, 3.6000%, 3/1/25 (144A)	2,291,000	2,404,537
Hudbay Minerals Inc, 7.2500%, 1/15/23 (144A)	4,363,000	4,493,890
Novelis Corp, 5.8750%, 9/30/26 (144A)	8,146,000	8,247,825
Nutrien Ltd, 4.2000%, 4/1/29	794,000	856,818
Nutrien Ltd, 5.0000%, 4/1/49	962,000	1,090,835
Reliance Steel & Aluminum Co, 4.5000%, 4/15/23	2,242,000	2,353,200
Steel Dynamics Inc, 5.5000%, 10/1/24	4,065,000	4,212,356
WRKCo Inc, 3.7500%, 3/15/25	258,000	268,325
WRKCo Inc, 4.6500%, 3/15/26	1,563,000	1,699,139
WRKCo Inc, 3.3750%, 9/15/27	280,000	280,326
WRKCo Inc, 4.0000%, 3/15/28	940,000	975,614
WRKCo Inc, 4.9000%, 3/15/29	6,824,000	7,456,750
		63,721,127
Brokerage – 0.3%		
Cboe Global Markets Inc, 3.6500%, 1/12/27	2,983,000	3,130,272

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, 2019

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Brokerage – (continued)		
E*TRADE Financial Corp, 3.8000%, 8/24/27	\$2,631,000	\$2,648,002
E*TRADE Financial Corp, 4.5000%, 6/20/28	988,000	1,038,423
Raymond James Financial Inc, 5.6250%, 4/1/24	1,553,000	1,756,276
Raymond James Financial Inc, 4.9500%, 7/15/46	2,715,000	3,059,379
		11,632,352
Capital Goods – 0.8%		
Arconic Inc, 5.4000%, 4/15/21	1,566,000	1,623,332
Ball Corp, 4.3750%, 12/15/20	2,079,000	2,124,738
Boeing Co, 2.2500%, 6/15/26	504,000	490,579
Boeing Co, 3.2500%, 3/1/28	623,000	645,978
Boeing Co, 3.2000%, 3/1/29	3,650,000	3,764,908
Boeing Co, 3.6000%, 5/1/34	4,246,000	4,429,094
Entegris Inc, 4.6250%, 2/10/26 (144A)	2,520,000	2,538,900
Huntington Ingalls Industries Inc, 5.0000%, 11/15/25 (144A)	5,403,000	5,592,105
Masonite International Corp, 5.6250%, 3/15/23 (144A)	809,000	833,270
Wabtec Corp, 4.4000%, 3/15/24	3,516,000	3,720,771
Wabtec Corp, 3.4500%, 11/15/26	975,000	952,340
Wabtec Corp, 4.9500%, 9/15/28	10,704,000	11,471,661
		38,187,676
Communications – 2.4%		
AT&T Inc, 3.6000%, 7/15/25	1,905,000	1,974,292
AT&T Inc, 4.3500%, 3/1/29	7,523,000	8,070,575
AT&T Inc, 5.2500%, 3/1/37	865,000	969,991
AT&T Inc, 4.8500%, 3/1/39	2,536,000	2,720,046
AT&T Inc, 4.7500%, 5/15/46	2,777,000	2,919,606
AT&T Inc, 5.1500%, 11/15/46	2,001,000	2,210,230
AT&T Inc, 4.5000%, 3/9/48	2,575,000	2,638,120
CCO Holdings LLC / CCO Holdings Capital Corp, 5.2500%, 3/15/21	2,235,000	2,244,778
CenturyLink Inc, 6.4500%, 6/15/21	2,658,000	2,810,835
CenturyLink Inc, 5.8000%, 3/15/22	1,479,000	1,541,858
Charter Communications Operating LLC / Charter Communications Operating Capital, 4.9080%, 7/23/25	2,823,000	3,063,099
Charter Communications Operating LLC / Charter Communications Operating Capital, 5.0500%, 3/30/29	14,387,000	15,849,899
Comcast Corp, 3.1500%, 3/1/26	1,836,000	1,896,611
Comcast Corp, 4.1500%, 10/15/28	2,251,000	2,481,074
Comcast Corp, 4.2500%, 10/15/30	2,459,000	2,738,871
Comcast Corp, 4.6000%, 10/15/38	2,000,000	2,287,986
Comcast Corp, 4.9500%, 10/15/58	2,059,000	2,509,466
Crown Castle International Corp, 3.6500%, 9/1/27	1,958,000	2,015,444
Crown Castle International Corp, 4.3000%, 2/15/29	2,227,000	2,394,335
Crown Castle International Corp, 5.2000%, 2/15/49	2,475,000	2,843,994
CSC Holdings LLC, 6.5000%, 2/1/29 (144A)	4,508,000	4,919,355
Fox Corp, 4.0300%, 1/25/24 (144A)	1,479,000	1,572,442
Sirius XM Radio Inc, 5.5000%, 7/1/29 (144A)	3,526,000	3,614,855
T-Mobile USA Inc, 6.3750%, 3/1/25	4,820,000	5,005,570
UBM PLC, 5.7500%, 11/3/20 (144A)	3,003,000	3,109,559
Verizon Communications Inc, 2.6250%, 8/15/26	3,269,000	3,246,432
Verizon Communications Inc, 4.3290%, 9/21/28	7,718,000	8,534,837
Verizon Communications Inc, 3.8750%, 2/8/29	1,308,000	1,402,279
Verizon Communications Inc, 4.8620%, 8/21/46	1,321,000	1,537,422
Verizon Communications Inc, 4.5220%, 9/15/48	975,000	1,088,971
Verizon Communications Inc, 5.0120%, 8/21/54	1,983,000	2,370,615
Viacom Inc, 5.8500%, 9/1/43	3,769,000	4,446,776
		107,030,223
Consumer Cyclical – 1.2%		
AutoZone Inc, 3.7500%, 4/18/29	3,471,000	3,607,537

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, 2019

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Consumer Cyclical – (continued)		
Fiat Chrysler Automobiles NV, 4.5000%, 4/15/20	\$808,000	\$817,050
Ford Motor Credit Co LLC, 4.3890%, 1/8/26	3,643,000	3,660,644
Ford Motor Credit Co LLC, 3.8150%, 11/2/27	5,675,000	5,434,747
Ford Motor Credit Co LLC, 5.1130%, 5/3/29	4,412,000	4,509,726
General Motors Co, 5.0000%, 10/1/28	2,955,000	3,103,427
General Motors Financial Co Inc, 4.3500%, 4/9/25	2,570,000	2,651,173
General Motors Financial Co Inc, 4.3000%, 7/13/25	790,000	814,290
General Motors Financial Co Inc, 4.3500%, 1/17/27	1,380,000	1,405,149
GLP Capital LP / GLP Financing II Inc, 5.2500%, 6/1/25	1,284,000	1,375,678
GLP Capital LP / GLP Financing II Inc, 5.3750%, 4/15/26	1,489,000	1,610,026
IHS Markit Ltd, 5.0000%, 11/1/22 (144A)	1,475,000	1,562,763
IHS Markit Ltd, 4.7500%, 2/15/25 (144A)	2,588,000	2,775,889
Lowe's Cos Inc, 3.6500%, 4/5/29	2,720,000	2,841,503
MDC Holdings Inc, 5.5000%, 1/15/24	2,249,000	2,395,185
MGM Resorts International, 6.6250%, 12/15/21	1,515,000	1,636,200
MGM Resorts International, 7.7500%, 3/15/22	544,000	606,560
O'Reilly Automotive Inc, 3.6000%, 9/1/27	90,000	92,498
O'Reilly Automotive Inc, 4.3500%, 6/1/28	696,000	752,179
O'Reilly Automotive Inc, 3.9000%, 6/1/29	4,040,000	4,234,504
Service Corp International/US, 5.1250%, 6/1/29	4,366,000	4,595,215
Starbucks Corp, 4.4500%, 8/15/49	2,631,000	2,877,543
		53,359,486
Consumer Non-Cyclical – 3.6%		
Allergan Finance LLC, 3.2500%, 10/1/22	2,482,000	2,522,452
Allergan Funding SCS, 3.4500%, 3/15/22	4,584,000	4,678,946
Allergan Funding SCS, 3.8000%, 3/15/25	2,964,000	3,074,473
Allergan Inc/United States, 2.8000%, 3/15/23	197,000	196,391
Anheuser-Busch InBev Worldwide Inc, 4.1500%, 1/23/25	8,281,000	8,961,678
Anheuser-Busch InBev Worldwide Inc, 4.7500%, 1/23/29	3,842,000	4,352,079
Bausch Health Cos Inc, 7.0000%, 3/15/24 (144A)	3,581,000	3,805,171
Boston Scientific Corp, 3.7500%, 3/1/26	1,940,000	2,062,173
Boston Scientific Corp, 4.0000%, 3/1/29	1,009,000	1,090,820
Boston Scientific Corp, 4.7000%, 3/1/49	1,617,000	1,853,578
Bristol-Myers Squibb Co, 3.4000%, 7/26/29 (144A)	1,857,000	1,942,192
Bristol-Myers Squibb Co, 4.1250%, 6/15/39 (144A)	1,340,000	1,451,494
Bristol-Myers Squibb Co, 4.2500%, 10/26/49 (144A)	2,303,000	2,534,879
Campbell Soup Co, 3.9500%, 3/15/25	1,915,000	1,991,010
Campbell Soup Co, 4.1500%, 3/15/28	2,853,000	2,977,117
Campbell Soup Co, 4.8000%, 3/15/48	3,568,000	3,606,580
CVS Health Corp, 4.7500%, 12/1/22	1,192,000	1,265,398
CVS Health Corp, 4.1000%, 3/25/25	4,076,000	4,296,618
CVS Health Corp, 4.3000%, 3/25/28	2,045,000	2,155,287
CVS Health Corp, 5.0500%, 3/25/48	2,664,000	2,833,336
Elanco Animal Health Inc, 4.2720%, 8/28/23 (144A)	1,436,000	1,506,565
Elanco Animal Health Inc, 4.9000%, 8/28/28 (144A)	1,339,000	1,494,710
Eli Lilly & Co, 3.3750%, 3/15/29	8,418,000	8,961,381
General Mills Inc, 4.2000%, 4/17/28	4,448,000	4,790,871
GlaxoSmithKline Capital PLC, 3.3750%, 6/1/29	4,819,000	5,093,232
HCA Inc, 4.7500%, 5/1/23	3,958,000	4,218,560
HCA Inc, 4.5000%, 2/15/27	4,199,000	4,477,986
HCA Inc, 4.1250%, 6/15/29	10,474,000	10,717,484
HCA Inc, 5.1250%, 6/15/39	1,836,000	1,907,079
HCA Inc, 5.2500%, 6/15/49	2,672,000	2,778,105
IQVIA Inc, 5.0000%, 5/15/27 (144A)	2,302,000	2,376,815
JBS USA LUX SA / JBS USA Finance Inc, 5.8750%, 7/15/24 (144A)	1,013,000	1,042,124
JBS USA LUX SA / JBS USA Finance Inc, 5.7500%, 6/15/25 (144A)	1,821,000	1,893,840
JBS USA LUX SA / JBS USA Finance Inc, 6.7500%, 2/15/28 (144A)	559,000	607,214
JBS USA LUX SA / JBS USA Food Co / JBS USA Finance Inc, 6.5000%, 4/15/29 (144A)	796,000	864,655

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, 2019

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Consumer Non-Cyclical – (continued)		
Keurig Dr Pepper Inc, 4.5970%, 5/25/28	\$4,089,000	\$4,473,639
Keurig Dr Pepper Inc, 5.0850%, 5/25/48	1,621,000	1,802,865
Kraft Heinz Foods Co, 4.0000%, 6/15/23	1,124,000	1,175,588
Kraft Heinz Foods Co, 3.0000%, 6/1/26	7,557,000	7,350,689
Kraft Heinz Foods Co, 4.6250%, 1/30/29	1,422,000	1,529,327
Kraft Heinz Foods Co, 5.0000%, 6/4/42	1,208,000	1,239,823
Kraft Heinz Foods Co, 4.3750%, 6/1/46	3,225,000	3,060,787
Mars Inc, 2.7000%, 4/1/25 (144A)	1,642,000	1,674,458
Mars Inc, 3.2000%, 4/1/30 (144A)	2,004,000	2,081,089
Mars Inc, 3.9500%, 4/1/49 (144A)	2,685,000	2,885,279
Mars Inc, 4.2000%, 4/1/59 (144A)	1,714,000	1,860,468
Newell Brands Inc, 4.2000%, 4/1/26	4,615,000	4,584,813
Newell Brands Inc, 5.3750%, 4/1/36	5,291,000	5,222,016
Sysco Corp, 2.5000%, 7/15/21	629,000	631,544
Tenet Healthcare Corp, 6.0000%, 10/1/20	2,508,000	2,586,375
Teva Pharmaceutical Finance Co BV, 3.6500%, 11/10/21	2,004,000	1,928,850
Teva Pharmaceutical Finance IV LLC, 2.2500%, 3/18/20	3,815,000	3,778,758
Valvoline Inc, 5.5000%, 7/15/24	1,310,000	1,354,540
Valvoline Inc, 4.3750%, 8/15/25	2,942,000	2,934,645
		162,537,846
Electric – 1.2%		
NRG Energy Inc, 3.7500%, 6/15/24 (144A)	4,582,000	4,705,110
NRG Energy Inc, 7.2500%, 5/15/26	3,525,000	3,881,906
NRG Energy Inc, 6.6250%, 1/15/27	4,756,000	5,166,205
NRG Energy Inc, 5.7500%, 1/15/28	885,000	949,163
NRG Energy Inc, 4.4500%, 6/15/29 (144A)	4,416,000	4,592,445
NRG Energy Inc, 5.2500%, 6/15/29 (144A)	1,741,000	1,856,341
Oncor Electric Delivery Co LLC, 2.7500%, 6/1/24 (144A)	3,561,000	3,625,801
Oncor Electric Delivery Co LLC, 3.7000%, 11/15/28 (144A)	2,856,000	3,074,091
Oncor Electric Delivery Co LLC, 3.8000%, 6/1/49 (144A)	4,370,000	4,606,328
PPL WEM Ltd / Western Power Distribution Ltd, 5.3750%, 5/1/21 (144A)	2,553,000	2,641,698
Southern Co, 2.9500%, 7/1/23	1,972,000	1,999,751
Vistra Operations Co LLC, 5.5000%, 9/1/26 (144A)	1,597,000	1,686,831
Vistra Operations Co LLC, 5.6250%, 2/15/27 (144A)	8,915,000	9,438,756
Vistra Operations Co LLC, 5.0000%, 7/31/27 (144A)	5,891,000	6,093,326
		54,317,752
Energy – 1.7%		
AmeriGas Partners LP / AmeriGas Finance Corp, 5.6250%, 5/20/24	152,000	161,880
AmeriGas Partners LP / AmeriGas Finance Corp, 5.5000%, 5/20/25	5,719,000	6,019,248
Cenovus Energy Inc, 4.2500%, 4/15/27	1,450,000	1,499,461
Cheniere Energy Partners LP, 5.6250%, 10/1/26 (144A)	2,107,000	2,222,885
Continental Resources Inc/OK, 5.0000%, 9/15/22	4,439,000	4,473,821
Continental Resources Inc/OK, 4.5000%, 4/15/23	3,628,000	3,810,533
Energy Transfer Operating LP, 4.2500%, 3/15/23	1,660,000	1,732,303
Energy Transfer Operating LP, 5.8750%, 1/15/24	1,589,000	1,765,981
Energy Transfer Operating LP, 5.5000%, 6/1/27	1,185,000	1,324,085
Energy Transfer Operating LP, 4.9500%, 6/15/28	184,000	201,078
Energy Transfer Operating LP, 6.1250%, 12/15/45	1,005,000	1,150,539
Energy Transfer Operating LP, 6.0000%, 6/15/48	3,145,000	3,586,090
EnLink Midstream Partners LP, 4.1500%, 6/1/25	3,556,000	3,484,880
EQM Midstream Partners LP, 5.5000%, 7/15/28	3,699,000	3,899,115
Hess Corp, 4.3000%, 4/1/27	9,059,000	9,392,840
HollyFrontier Corp, 5.8750%, 4/1/26	3,598,000	3,953,499
Kinder Morgan Energy Partners LP, 5.0000%, 10/1/21	1,292,000	1,354,398
Kinder Morgan Inc/DE, 6.5000%, 9/15/20	133,000	139,371
Kinder Morgan Inc/DE, 4.3000%, 3/1/28	937,000	1,003,238
Kinder Morgan Inc/DE, 5.5500%, 6/1/45	842,000	973,626
Kinder Morgan Inc/DE, 5.2000%, 3/1/48	562,000	634,365
NGPL PipeCo LLC, 4.3750%, 8/15/22 (144A)	3,174,000	3,269,220

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, 2019

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Energy – (continued)		
NGPL PipeCo LLC, 4.8750%, 8/15/27 (144A)	\$1,911,000	\$2,023,271
NuStar Logistics LP, 5.6250%, 4/28/27	1,764,000	1,777,230
Plains All American Pipeline LP / PAA Finance Corp, 4.6500%, 10/15/25	4,020,000	4,279,358
Range Resources Corp, 5.7500%, 6/1/21	1,653,000	1,669,530
Range Resources Corp, 5.8750%, 7/1/22	2,727,000	2,699,730
Range Resources Corp, 5.0000%, 3/15/23	3,701,000	3,483,566
Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp, 4.7500%, 10/1/23 (144A)	3,401,000	3,447,832
Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp, 5.5000%, 9/15/24 (144A)	1,268,000	1,309,210
		76,742,183
Finance Companies – 0.1%		
GE Capital International Funding Co Unlimited Co, 4.4180%, 11/15/35	4,725,000	4,659,604
Financial Institutions – 0.1%		
Jones Lang LaSalle Inc, 4.4000%, 11/15/22	2,938,000	3,054,022
Industrial Conglomerates – 0.1%		
General Electric Co, ICE LIBOR USD 3 Month + 3.3300%, 5.0000% <sup>†‡</sup>	6,050,000	5,803,523
Insurance – 0.3%		
Brown & Brown Inc, 4.5000%, 3/15/29	2,000,000	2,099,920
Centene Corp, 4.7500%, 5/15/22	180,000	183,825
Centene Corp, 6.1250%, 2/15/24	2,096,000	2,195,560
Centene Corp, 5.3750%, 6/1/26 (144A)	5,442,000	5,720,903
Cigna Corp, 3.4000%, 9/17/21 (144A)	600,000	611,510
Cigna Corp, 3.7500%, 7/15/23 (144A)	2,442,000	2,541,086
		13,352,804
Real Estate Investment Trusts (REITs) – 0.2%		
Reckson Operating Partnership LP, 7.7500%, 3/15/20	3,885,000	4,022,529
Ventas Realty LP, 3.5000%, 4/15/24	3,997,000	4,144,877
		8,167,406
Technology – 1.8%		
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.8750%, 1/15/27	2,001,000	1,961,727
Broadcom Inc, 4.2500%, 4/15/26 (144A)	2,605,000	2,639,075
Broadcom Inc, 4.7500%, 4/15/29 (144A)	3,562,000	3,649,889
CommScope Inc, 5.5000%, 3/1/24 (144A)	2,870,000	2,945,338
CommScope Inc, 6.0000%, 3/1/26 (144A)	4,737,000	4,855,425
Dell International LLC / EMC Corp, 5.8750%, 6/15/21 (144A)	7,363,000	7,485,188
Dell International LLC / EMC Corp, 5.3000%, 10/1/29 (144A)	2,172,000	2,285,833
Fidelity National Information Services Inc, 3.7500%, 5/21/29	1,238,000	1,314,412
Lam Research Corp, 4.0000%, 3/15/29	758,000	806,849
Marvell Technology Group Ltd, 4.2000%, 6/22/23	1,361,000	1,416,771
Marvell Technology Group Ltd, 4.8750%, 6/22/28	5,671,000	6,009,168
Micron Technology Inc, 5.5000%, 2/1/25	1,280,000	1,316,800
Micron Technology Inc, 4.9750%, 2/6/26	1,668,000	1,759,284
Micron Technology Inc, 5.3270%, 2/6/29	4,281,000	4,529,923
Oracle Corp, 3.9000%, 5/15/35	1,801,000	1,948,195
Qorvo Inc, 5.5000%, 7/15/26	2,825,000	2,989,698
Total System Services Inc, 4.8000%, 4/1/26	3,189,000	3,502,633
Trimble Inc, 4.7500%, 12/1/24	5,123,000	5,383,670
Trimble Inc, 4.9000%, 6/15/28	9,542,000	10,218,658
Verisk Analytics Inc, 5.8000%, 5/1/21	2,947,000	3,124,818
Verisk Analytics Inc, 4.1250%, 9/12/22	613,000	643,698
Verisk Analytics Inc, 5.5000%, 6/15/45	1,616,000	1,893,869
Western Digital Corp, 4.7500%, 2/15/26	11,448,000	11,231,060
		83,911,981
Total Corporate Bonds (cost \$766,179,772)		800,847,517
Mortgage-Backed Securities – 10.1%		
Fannie Mae:		
4.0000%, 5/25/48	13,274,000	13,716,157

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, 2019**

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Mortgage-Backed Securities – (continued)		
Fannie Mae – (continued)		
4.5000%, 7/25/48	\$5,599,000	\$5,848,603
		19,564,760
Fannie Mae Pool:		
6.0000%, 2/1/37	94,034	108,574
4.5000%, 9/1/37	2,262,493	2,390,009
4.5000%, 5/1/38	923,095	971,959
4.5000%, 7/1/38	1,781,703	1,876,019
4.5000%, 8/1/38	58,762	61,872
4.5000%, 11/1/38	2,048,579	2,157,022
3.5000%, 10/1/42	1,244,810	1,289,576
4.5000%, 11/1/42	400,418	429,152
3.5000%, 12/1/42	2,886,460	2,990,263
3.0000%, 2/1/43	100,719	102,358
3.5000%, 2/1/43	2,866,579	2,969,667
3.5000%, 2/1/43	1,386,297	1,434,372
3.5000%, 3/1/43	1,956,687	2,024,543
3.5000%, 4/1/43	7,329,771	7,583,959
3.0000%, 5/1/43	728,313	739,876
3.5000%, 11/1/43	4,012,475	4,156,772
3.5000%, 4/1/44	1,434,357	1,495,496
5.0000%, 7/1/44	90,547	98,468
4.5000%, 10/1/44	912,924	992,938
3.5000%, 2/1/45	6,469,067	6,693,407
3.5000%, 2/1/45	1,107,401	1,145,805
4.5000%, 3/1/45	1,450,560	1,577,696
4.5000%, 6/1/45	928,126	993,600
3.0000%, 10/1/45	1,468,328	1,490,921
3.0000%, 10/1/45	941,863	956,355
3.5000%, 12/1/45	918,654	958,587
3.0000%, 1/1/46	211,666	214,923
4.5000%, 2/1/46	2,382,130	2,553,073
3.0000%, 3/1/46	6,662,342	6,751,664
3.0000%, 3/1/46	4,575,891	4,637,241
3.5000%, 5/1/46	616,290	636,268
3.5000%, 7/1/46	3,071,304	3,177,724
3.5000%, 7/1/46	1,689,935	1,754,684
3.5000%, 8/1/46	9,537,506	9,846,676
3.5000%, 8/1/46	1,011,215	1,043,994
4.0000%, 10/1/46	92,978	98,794
3.0000%, 11/1/46	1,551,661	1,572,464
3.0000%, 11/1/46	471,716	478,040
3.0000%, 11/1/46	461,183	467,367
3.5000%, 12/1/46	313,196	323,349
3.0000%, 2/1/47	4,222,818	4,299,575
3.0000%, 3/1/47	3,237,350	3,280,754
4.0000%, 5/1/47	606,879	631,844
4.5000%, 5/1/47	336,079	361,086
4.5000%, 5/1/47	282,210	299,354
4.5000%, 5/1/47	264,727	282,891
4.5000%, 5/1/47	198,299	213,055
4.5000%, 5/1/47	196,889	208,850
4.5000%, 5/1/47	159,367	170,301
4.5000%, 5/1/47	97,031	103,688
4.5000%, 5/1/47	65,350	70,213
4.5000%, 5/1/47	63,925	68,681
4.0000%, 6/1/47	333,061	346,762
4.0000%, 6/1/47	161,183	167,814
4.0000%, 6/1/47	160,877	167,807
4.0000%, 6/1/47	80,985	84,317

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



**Janus Henderson VIT Balanced Portfolio**  
**Schedule of Investments (unaudited)**  
**June 30, 2019**

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.5000%, 6/1/47	\$1,195,924	\$1,259,930
4.5000%, 6/1/47	117,156	125,873
4.0000%, 7/1/47	298,602	310,885
4.0000%, 7/1/47	264,921	275,819
4.0000%, 7/1/47	123,554	128,637
4.0000%, 7/1/47	86,759	90,328
4.5000%, 7/1/47	865,351	911,665
4.5000%, 7/1/47	732,864	772,087
4.5000%, 7/1/47	726,954	765,861
3.5000%, 8/1/47	1,484,196	1,532,206
3.5000%, 8/1/47	887,900	913,538
3.5000%, 8/1/47	509,677	532,221
4.0000%, 8/1/47	7,475,069	7,843,092
4.0000%, 8/1/47	1,669,169	1,737,834
4.0000%, 8/1/47	529,038	550,801
4.0000%, 8/1/47	327,683	341,163
4.0000%, 8/1/47	144,160	150,090
4.5000%, 8/1/47	1,032,566	1,087,829
4.5000%, 8/1/47	190,800	201,011
4.0000%, 9/1/47	3,796,442	4,038,600
4.0000%, 9/1/47	157,973	164,471
4.5000%, 9/1/47	1,054,870	1,111,327
4.5000%, 9/1/47	649,251	683,999
4.5000%, 9/1/47	227,902	240,099
4.0000%, 10/1/47	813,085	846,533
4.0000%, 10/1/47	672,362	700,021
4.0000%, 10/1/47	628,118	653,957
4.0000%, 10/1/47	434,134	451,993
4.0000%, 10/1/47	363,994	378,968
4.5000%, 10/1/47	170,353	179,470
4.5000%, 10/1/47	68,355	72,013
4.0000%, 11/1/47	1,779,105	1,866,696
4.0000%, 11/1/47	1,079,366	1,123,768
4.0000%, 11/1/47	898,770	935,742
4.0000%, 11/1/47	338,620	352,550
4.5000%, 11/1/47	770,893	812,151
3.5000%, 12/1/47	2,884,733	2,997,551
3.5000%, 12/1/47	1,360,731	1,400,528
3.5000%, 12/1/47	278,963	291,302
3.5000%, 12/1/47	139,729	145,909
4.0000%, 12/1/47	2,152,058	2,240,588
3.5000%, 1/1/48	2,099,681	2,166,692
3.5000%, 1/1/48	1,978,682	2,031,702
4.0000%, 1/1/48	8,960,986	9,343,250
4.0000%, 1/1/48	7,379,381	7,704,514
4.0000%, 1/1/48	4,098,607	4,267,212
4.0000%, 1/1/48	774,594	818,856
4.0000%, 1/1/48	629,147	655,029
4.0000%, 1/1/48	485,760	513,518
3.5000%, 3/1/48	1,299,426	1,348,175
3.5000%, 3/1/48	240,172	250,299
4.0000%, 3/1/48	3,150,060	3,285,362
4.0000%, 3/1/48	427,155	451,482
4.5000%, 3/1/48	1,353,874	1,424,931
3.5000%, 4/1/48	2,782,952	2,872,974
3.5000%, 4/1/48	2,417,699	2,518,824
4.0000%, 4/1/48	916,017	968,185
4.5000%, 4/1/48	1,055,139	1,110,518
4.0000%, 5/1/48	4,159,047	4,309,528

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, 2019**

	<i>Shares or Principal Amounts</i>	<i>Value</i>
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.0000%, 5/1/48	\$3,997,764	\$4,142,409
4.5000%, 5/1/48	829,724	873,272
4.5000%, 5/1/48	736,347	774,994
4.0000%, 6/1/48	1,714,215	1,776,238
4.5000%, 6/1/48	842,688	886,916
4.0000%, 10/1/48	730,948	765,770
3.5000%, 11/1/48	3,962,209	4,127,936
3.5000%, 1/1/49	920,391	949,272
4.5000%, 1/1/49	7,331,016	7,720,355
4.0000%, 2/1/49	766,014	792,416
3.5000%, 8/1/56	5,026,021	5,191,766
3.0000%, 2/1/57	3,529,595	3,555,669
3.5000%, 2/1/57	10,301,782	10,667,930
		221,487,619
Freddie Mac Gold Pool:		
4.5000%, 5/1/38	2,978,357	3,137,061
4.5000%, 7/1/38	2,300,965	2,423,574
4.5000%, 8/1/38	1,823,325	1,920,482
4.5000%, 9/1/38	1,514,422	1,595,119
4.5000%, 10/1/38	324,391	341,677
6.0000%, 4/1/40	1,704,471	1,973,937
3.5000%, 2/1/43	1,127,178	1,166,995
3.5000%, 2/1/44	1,123,683	1,163,377
4.5000%, 5/1/44	43,719	46,836
3.5000%, 12/1/44	7,914,388	8,193,651
3.0000%, 1/1/45	2,504,584	2,547,363
4.0000%, 5/1/46	747,364	781,150
3.5000%, 7/1/46	8,451,151	8,823,860
3.5000%, 7/1/46	1,867,732	1,923,882
3.0000%, 10/1/46	3,907,114	3,961,804
3.5000%, 10/1/46	6,218,499	6,423,887
3.0000%, 12/1/46	4,637,460	4,702,373
3.5000%, 2/1/47	3,854,150	3,981,448
4.0000%, 3/1/47	790,977	831,520
3.0000%, 9/1/47	2,653,683	2,690,828
3.5000%, 9/1/47	5,787,355	5,957,946
3.5000%, 9/1/47	3,275,404	3,371,952
3.5000%, 9/1/47	3,166,143	3,277,430
3.5000%, 9/1/47	995,117	1,024,449
3.5000%, 11/1/47	2,434,940	2,531,720
3.5000%, 11/1/47	791,824	822,515
3.5000%, 12/1/47	4,342,698	4,511,021
3.5000%, 12/1/47	1,824,842	1,895,573
3.5000%, 12/1/47	1,724,873	1,793,431
3.5000%, 2/1/48	1,891,166	1,963,333
3.5000%, 2/1/48	1,866,761	1,918,144
3.5000%, 3/1/48	4,576,458	4,753,841
3.5000%, 3/1/48	1,114,793	1,152,676
4.0000%, 3/1/48	2,133,525	2,226,503
3.5000%, 4/1/48	397,208	410,706
4.0000%, 4/1/48	5,889,381	6,095,899
4.0000%, 4/1/48	2,365,392	2,465,475
4.0000%, 5/1/48	4,681,272	4,853,439
4.0000%, 5/1/48	2,931,531	3,034,329
4.0000%, 6/1/48	1,233,852	1,279,230
3.5000%, 8/1/48	4,301,371	4,447,544
4.0000%, 8/1/48	15,831,734	16,413,993
4.0000%, 8/1/48	5,682,816	6,009,698
4.5000%, 8/1/48	2,114,613	2,219,316

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, 2019

	Shares or Principal Amounts	Value
Mortgage-Backed Securities – (continued)		
Freddie Mac Gold Pool – (continued)		
5.0000%, 9/1/48	\$361,218	\$383,002
3.5000%, 11/1/48	5,556,547	5,751,855
4.5000%, 12/1/48	1,762,612	1,872,552
4.0000%, 1/1/49	3,777,333	4,007,742
		155,076,138
Ginnie Mae:		
4.5000%, 8/20/48	4,631,000	4,825,456
5.0000%, 8/20/48	24,756,679	25,876,176
		30,701,632
Ginnie Mae I Pool:		
4.0000%, 1/15/45	7,862,053	8,344,377
4.5000%, 8/15/46	8,086,283	8,714,162
4.0000%, 7/15/47	2,265,838	2,373,820
4.0000%, 8/15/47	444,050	465,212
4.0000%, 11/15/47	1,020,615	1,069,254
4.0000%, 12/15/47	1,267,526	1,327,932
		22,294,757
Ginnie Mae II Pool:		
4.0000%, 8/20/47	777,623	815,678
4.0000%, 8/20/47	178,125	188,137
4.0000%, 8/20/47	86,002	90,211
4.5000%, 5/20/48	4,228,544	4,410,785
4.5000%, 5/20/48	575,287	606,409
4.5000%, 1/20/49	3,573,877	3,727,903
		9,839,123
<b>Total Mortgage-Backed Securities (cost \$450,500,704)</b>		<b>458,964,029</b>
United States Treasury Notes/Bonds – 9.0%		
2.3750%, 4/30/20	28,380,000	28,462,036
2.5000%, 1/15/22	679,000	691,625
2.7500%, 5/31/23	9,686,000	10,052,630
2.8750%, 9/30/23	31,740,000	33,191,857
2.8750%, 10/31/23	20,680,900	21,642,239
2.8750%, 11/30/23	18,175,000	19,039,732
2.3750%, 2/29/24	1,831,000	1,881,710
2.1250%, 3/31/24	703,000	714,396
2.2500%, 4/30/24	3,588,000	3,667,749
2.0000%, 5/31/24	25,064,000	25,345,970
2.8750%, 11/30/25	27,000	28,659
2.3750%, 4/30/26	1,590,000	1,641,054
2.7500%, 2/15/28	3,223,000	3,425,067
2.8750%, 8/15/28	12,256,500	13,164,247
3.1250%, 11/15/28	32,214,000	35,314,597
2.6250%, 2/15/29	31,054,000	32,729,218
2.3750%, 5/15/29	25,527,000	26,364,605
2.2500%, 8/15/46	8,075,000	7,618,573
2.7500%, 8/15/47	823,000	857,688
2.7500%, 11/15/47	18,771,000	19,564,368
3.0000%, 2/15/48	15,703,000	17,176,996
3.0000%, 8/15/48	3,189,000	3,492,204
3.3750%, 11/15/48	13,542,800	15,919,138
3.0000%, 2/15/49	16,327,000	17,906,127
2.8750%, 5/15/49	64,970,000	69,588,961
<b>Total United States Treasury Notes/Bonds (cost \$389,153,406)</b>		<b>409,481,446</b>
Common Stocks – 59.8%		
Aerospace & Defense – 3.4%		
Boeing Co	252,161	91,789,126
General Dynamics Corp	345,451	62,809,901
		154,599,027

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, 2019

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Air Freight & Logistics – 0.5%		
United Parcel Service Inc	203,274	\$20,992,106
Airlines – 0.6%		
Delta Air Lines Inc	485,935	27,576,811
Automobiles – 0.5%		
General Motors Co	539,291	20,778,882
Banks – 2.5%		
Bank of America Corp	1,056,200	30,629,800
US Bancorp	1,543,674	80,888,518
		111,518,318
Biotechnology – 0.4%		
AbbVie Inc	263,036	19,127,978
Capital Markets – 3.0%		
Blackstone Group LP	718,725	31,925,764
CME Group Inc	206,297	40,044,311
Morgan Stanley	659,566	28,895,586
TD Ameritrade Holding Corp	733,226	36,602,642
		137,468,303
Chemicals – 1.2%		
LyondellBasell Industries NV	655,560	56,463,383
Consumer Finance – 1.5%		
American Express Co	225,037	27,778,567
Synchrony Financial	1,200,738	41,629,586
		69,408,153
Electronic Equipment, Instruments & Components – 0.6%		
Corning Inc	878,302	29,185,975
Entertainment – 0.9%		
Walt Disney Co	285,558	39,875,319
Equity Real Estate Investment Trusts (REITs) – 1.2%		
Crown Castle International Corp	190,800	24,870,780
MGM Growth Properties LLC	583,302	17,878,206
Outfront Media Inc	524,425	13,524,921
		56,273,907
Food & Staples Retailing – 3.0%		
Costco Wholesale Corp	292,616	77,326,704
Kroger Co	633,238	13,747,597
Sysco Corp	627,120	44,349,926
		135,424,227
Food Products – 0.6%		
Hershey Co	196,863	26,385,548
Health Care Equipment & Supplies – 1.7%		
Abbott Laboratories	524,359	44,098,592
Medtronic PLC	345,427	33,641,136
		77,739,728
Health Care Providers & Services – 1.7%		
UnitedHealth Group Inc	313,325	76,454,433
Hotels, Restaurants & Leisure – 3.2%		
Hilton Worldwide Holdings Inc	360,152	35,201,256
McDonald's Corp	429,554	89,201,184
Norwegian Cruise Line Holdings Ltd*	248,455	13,324,642
Six Flags Entertainment Corp	187,719	9,325,880
		147,052,962
Household Products – 0.4%		
Clorox Co	128,559	19,683,668
Industrial Conglomerates – 0.7%		
Honeywell International Inc	168,441	29,408,114
Information Technology Services – 4.1%		
Accenture PLC	305,692	56,482,711

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, 2019

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Information Technology Services – (continued)		
Mastercard Inc	490,103	\$129,646,947
		186,129,658
Insurance – 0.7%		
Progressive Corp	367,877	29,404,409
Interactive Media & Services – 2.0%		
Alphabet Inc - Class C*	83,199	89,930,631
Internet & Direct Marketing Retail – 0.9%		
Amazon.com Inc*	20,684	39,167,843
Leisure Products – 0.6%		
Hasbro Inc	252,322	26,665,389
Life Sciences Tools & Services – 0.4%		
Thermo Fisher Scientific Inc	62,678	18,407,275
Machinery – 1.4%		
Deere & Co	181,028	29,998,150
Parker-Hannifin Corp	78,981	13,427,560
Stanley Black & Decker Inc	130,694	18,899,659
		62,325,369
Media – 1.4%		
Comcast Corp	1,467,383	62,040,953
Oil, Gas & Consumable Fuels – 1.1%		
EOG Resources Inc	214,143	19,949,562
Suncor Energy Inc	520,100	16,206,316
Suncor Energy Inc <sup>2</sup>	470,171	14,668,157
		50,824,035
Personal Products – 0.4%		
Estee Lauder Cos Inc	108,888	19,938,482
Pharmaceuticals – 3.2%		
Bristol-Myers Squibb Co	802,537	36,395,053
Eli Lilly & Co	359,599	39,839,973
Merck & Co Inc	810,521	67,962,186
		144,197,212
Real Estate Management & Development – 0.6%		
CBRE Group Inc*	525,455	26,955,841
Road & Rail – 1.4%		
CSX Corp	834,818	64,589,869
Semiconductor & Semiconductor Equipment – 2.8%		
Intel Corp	848,584	40,621,716
Lam Research Corp	172,271	32,359,385
NVIDIA Corp	122,767	20,162,024
Texas Instruments Inc	312,235	35,832,089
		128,975,214
Software – 5.6%		
Adobe Inc*	216,050	63,659,132
Microsoft Corp	1,260,826	168,889,048
salesforce.com Inc*	134,773	20,449,107
		252,997,287
Specialty Retail – 1.6%		
Home Depot Inc	358,581	74,574,091
Technology Hardware, Storage & Peripherals – 1.8%		
Apple Inc	401,892	79,542,465
Textiles, Apparel & Luxury Goods – 0.8%		
NIKE Inc	438,012	36,771,107
Tobacco – 1.4%		
Altria Group Inc	1,300,378	61,572,898
Total Common Stocks (cost \$1,875,394,720)		2,710,426,870

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, 2019

	Shares or Principal Amounts	Value
Investment Companies – 2.2%		
Money Markets – 2.2%		
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>Ⓜ</sup> (cost \$98,638,618)	98,636,288	\$98,636,288
Total Investments (total cost \$3,702,171,714) – 101.5%		4,601,720,392
Liabilities, net of Cash, Receivables and Other Assets – (1.5)%		(68,760,518)
Net Assets – 100%		\$4,532,959,874

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

Country	Value	% of Investment Securities
United States	\$4,527,668,557	98.4 %
Canada	43,368,931	0.9
Belgium	13,313,757	0.3
United Kingdom	11,661,539	0.3
Israel	5,707,608	0.1
Total	\$4,601,720,392	100.0 %

#### Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income	Realized Gain/(Loss)	Change in Unrealized Appreciation/ Depreciation	Value at 6/30/19
Investment Companies - 2.2%				
Money Markets - 2.2%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>Ⓜ</sup>	\$ 647,261	\$ 3,005	\$ (2,330)	\$ 98,636,288

	Share Balance at 12/31/18	Purchases	Sales	Share Balance at 6/30/19
Investment Companies - 2.2%				
Money Markets - 2.2%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>Ⓜ</sup>	36,969,146	673,419,764	(611,752,622)	98,636,288

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 <sup>®</sup> 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 <sup>®</sup> Index	S&P 500 <sup>®</sup> 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

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, 2019 is \$240,461,935, which represents 5.3% of net assets.

\* Non-income producing security.

‡ Variable or floating rate security. Rate shown is the current rate as of June 30, 2019. 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.

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

°° Rate shown is the 7-day yield as of June 30, 2019.

μ Perpetual security. Perpetual securities have no stated maturity date, but they may be called/redeemed by the issuer. The date indicated represents the next call date.

£ 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)

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, 2019. See Notes to Financial Statements for more information.

### Valuation Inputs Summary

		<b>Level 1 - Quoted Prices</b>	<b>Level 2 - Other Significant Observable Inputs</b>	<b>Level 3 - Significant Unobservable Inputs</b>
<b>Assets</b>				
<b>Investments In Securities:</b>				
<i>Asset-Backed/Commercial Mortgage-Backed Securities</i>	\$	-	\$ 118,787,373	\$ -
<i>Bank Loans and Mezzanine Loans</i>		-	4,576,869	-
<i>Corporate Bonds</i>		-	800,847,517	-
<i>Mortgage-Backed Securities</i>		-	458,964,029	-
<i>United States Treasury Notes/Bonds</i>		-	409,481,446	-
<i>Common Stocks</i>		2,710,426,870	-	-
<i>Investment Companies</i>		-	98,636,288	-
<b>Total Assets</b>	\$	2,710,426,870	\$ 1,891,293,522	\$ -



# Janus Henderson VIT Balanced Portfolio

## Statement of Assets and Liabilities (unaudited)

### June 30, 2019

Assets:		
Unaffiliated investments, at value <sup>(1)</sup>	\$	4,503,084,104
Affiliated investments, at value <sup>(2)</sup>		98,636,288
Cash		25,112
Non-interested Trustees' deferred compensation		114,629
Receivables:		
Interest		12,791,196
Investments sold		3,202,110
Dividends		2,714,387
Portfolio shares sold		1,935,789
Dividends from affiliates		168,101
Foreign tax reclaims		105,143
Other assets		7,227
<b>Total Assets</b>		<b>4,622,784,086</b>
Liabilities:		
Due to custodian		618,845
Foreign cash due to custodian		140,247
Payables:		
Investments purchased		84,460,617
Advisory fees		2,016,002
Portfolio shares repurchased		1,249,255
12b-1 Distribution and shareholder servicing fees		829,238
Transfer agent fees and expenses		187,153
Non-interested Trustees' deferred compensation fees		114,629
Non-interested Trustees' fees and expenses		28,173
Professional fees		19,723
Affiliated portfolio administration fees payable		9,164
Custodian fees		5,666
Accrued expenses and other payables		145,500
<b>Total Liabilities</b>		<b>89,824,212</b>
<b>Net Assets</b>	<b>\$</b>	<b>4,532,959,874</b>
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	3,614,214,862
Total distributable earnings (loss)		918,745,012
<b>Total Net Assets</b>	<b>\$</b>	<b>4,532,959,874</b>
<b>Net Assets - Institutional Shares</b>	<b>\$</b>	<b>427,226,608</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		11,651,141
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>36.67</b>
<b>Net Assets - Service Shares</b>	<b>\$</b>	<b>4,105,733,266</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		106,009,435
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>38.73</b>

(1) Includes cost of \$3,603,533,096.

(2) Includes cost of \$98,638,618.

See Notes to Financial Statements.

# Janus Henderson VIT Balanced Portfolio

## Statement of Operations (unaudited)

### For the period ended June 30, 2019

Investment Income:		
Interest	\$	30,091,090
Dividends		26,744,801
Dividends from affiliates		647,261
Other income		261,625
Foreign tax withheld		(46,067)
<b>Total Investment Income</b>		<b>57,698,710</b>
Expenses:		
Advisory fees		11,475,288
12b-1 Distribution and shareholder servicing fees:		
Service Shares		4,698,238
Transfer agent administrative fees and expenses:		
Institutional Shares		103,560
Service Shares		939,648
Other transfer agent fees and expenses:		
Institutional Shares		4,939
Service Shares		25,243
Shareholder reports expense		66,487
Non-interested Trustees' fees and expenses		56,653
Professional fees		53,399
Affiliated portfolio administration fees		46,649
Custodian fees		20,346
Registration fees		7,413
Other expenses		247,599
<b>Total Expenses</b>		<b>17,745,462</b>
<b>Net Investment Income/(Loss)</b>		<b>39,953,248</b>
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		16,076,626
Investments in affiliates		3,005
<b>Total Net Realized Gain/(Loss) on Investments</b>		<b>16,079,631</b>
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		440,876,704
Investments in affiliates		(2,330)
<b>Total Change in Unrealized Net Appreciation/Depreciation</b>		<b>440,874,374</b>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>\$</b>	<b>496,907,253</b>

See Notes to Financial Statements.

# Janus Henderson VIT Balanced Portfolio

## Statements of Changes in Net Assets

	<i>Period ended</i> <i>June 30, 2019</i> <i>(unaudited)</i>		<i>Year ended</i> <i>December 31, 2018</i>
Operations:			
Net investment income/(loss)	\$	39,953,248	\$ 60,362,993
Net realized gain/(loss) on investments		16,079,631	111,771,989
Change in unrealized net appreciation/depreciation		440,874,374	(176,189,448)
Net Increase/(Decrease) in Net Assets Resulting from Operations		496,907,253	(4,054,466)
Dividends and Distributions to Shareholders			
Institutional Shares		(15,827,390)	(20,863,874)
Service Shares		(139,029,945)	(137,724,495)
Net Decrease from Dividends and Distributions to Shareholders		(154,857,335)	(158,588,369)
Capital Share Transactions: (Note 5)			
Institutional Shares		(10,130,231)	(9,713,852)
Service Shares		352,548,266	703,833,070
Net Increase/(Decrease) from Capital Share Transactions		342,418,035	694,119,218
Net Increase/(Decrease) in Net Assets		684,467,953	531,476,383
Net Assets:			
Beginning of period		3,848,491,921	3,317,015,538
End of period	\$	4,532,959,874	\$ 3,848,491,921

See Notes to Financial Statements.

# Janus Henderson VIT Balanced Portfolio

## Financial Highlights

### Institutional Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$33.75	\$35.27	\$30.32	\$30.08	\$31.43	\$30.26
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.38	0.66	0.64	0.58	0.63	0.62
Net realized and unrealized gain/(loss)	3.95	(0.42)	4.92	0.77	(0.41)	1.92
Total from Investment Operations	4.33	0.24	5.56	1.35	0.22	2.54
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.38)	(0.77)	(0.54)	(0.67)	(0.50)	(0.55)
Distributions (from capital gains)	(1.03)	(0.99)	(0.07)	(0.44)	(1.07)	(0.82)
Total Dividends and Distributions	(1.41)	(1.76)	(0.61)	(1.11)	(1.57)	(1.37)
Net Asset Value, End of Period	\$36.67	\$33.75	\$35.27	\$30.32	\$30.08	\$31.43
Total Return*	12.86%	0.68%	18.43%	4.60%	0.62%	8.54%
Net Assets, End of Period (in thousands)	\$427,227	\$402,796	\$429,403	\$403,833	\$444,472	\$475,807
Average Net Assets for the Period (in thousands)	\$419,888	\$429,843	\$417,575	\$413,338	\$467,346	\$472,445
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.62%	0.63%	0.63%	0.62%	0.58%	0.58%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.62%	0.63%	0.63%	0.62%	0.58%	0.58%
Ratio of Net Investment Income/(Loss)	2.13%	1.85%	1.94%	1.94%	2.03%	2.01%
Portfolio Turnover Rate	41% <sup>(2)</sup>	97% <sup>(2)</sup>	67% <sup>(2)</sup>	80%	73%	87%

### Service Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$35.59	\$37.09	\$31.89	\$31.61	\$32.97	\$31.72
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.36	0.60	0.58	0.53	0.58	0.57
Net realized and unrealized gain/(loss)	4.15	(0.44)	5.17	0.80	(0.42)	2.00
Total from Investment Operations	4.51	0.16	5.75	1.33	0.16	2.57
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.34)	(0.67)	(0.48)	(0.61)	(0.45)	(0.50)
Distributions (from capital gains)	(1.03)	(0.99)	(0.07)	(0.44)	(1.07)	(0.82)
Total Dividends and Distributions	(1.37)	(1.66)	(0.55)	(1.05)	(1.52)	(1.32)
Net Asset Value, End of Period	\$38.73	\$35.59	\$37.09	\$31.89	\$31.61	\$32.97
Total Return*	12.71%	0.43%	18.13%	4.32%	0.41%	8.24%
Net Assets, End of Period (in thousands)	\$4,105,733	\$3,445,696	\$2,887,613	\$2,227,878	\$1,831,930	\$1,228,244
Average Net Assets for the Period (in thousands)	\$3,808,650	\$3,235,435	\$2,523,514	\$1,938,234	\$1,645,283	\$1,013,680
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.87%	0.88%	0.88%	0.87%	0.84%	0.84%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.87%	0.88%	0.88%	0.87%	0.84%	0.84%
Ratio of Net Investment Income/(Loss)	1.88%	1.62%	1.69%	1.71%	1.79%	1.77%
Portfolio Turnover Rate	41% <sup>(2)</sup>	97% <sup>(2)</sup>	67% <sup>(2)</sup>	80%	73%	87%

\* Total return includes adjustments in accordance with generally accepted accounting principles required at the year or period end and are not annualized for periods of less than one full year. Total return 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, 2019 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.

### 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 daily on the accrual basis and includes amortization of premiums and accretion of discounts. The Portfolio classifies gains and losses on prepayments received as an adjustment to interest income. Debt securities may be placed in non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivables when collection of all or a portion of interest has become doubtful. 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 Balanced 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 Portfolio'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

# Janus Henderson VIT Balanced Portfolio

## Notes to Financial Statements (unaudited)

both investment risks and opportunities, which could limit or preclude the Portfolio's ability to achieve its investment objective. Therefore, it is important to understand that the value of your investment may fall, sometimes sharply, and you could lose money.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") of 2010 provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

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

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

### Loans

The Portfolio may invest in various commercial loans, including bank loans, bridge loans, debtor-in-possession ("DIP") loans, mezzanine loans, and other fixed and floating rate loans. These loans may be acquired through loan participations and assignments or on a when-issued basis. Commercial loans will comprise no more than 20% of the Portfolio's total assets. Below are descriptions of the types of loans held by the Portfolio as of June 30, 2019.

- **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



# Janus Henderson VIT Balanced Portfolio

## Notes to Financial Statements (unaudited)

below investment grade. Senior floating rate loans are secured by specific collateral of a borrower and are senior in the borrower's capital structure. The senior position in the borrower's capital structure generally gives holders of senior loans a claim on certain of the borrower's assets that is senior to subordinated debt and preferred and common stock in the case of a borrower's default. Floating rate loan investments may involve foreign borrowers, and investments may be denominated in foreign currencies. Floating rate loans often involve borrowers whose financial condition is troubled or uncertain and companies that are highly leveraged. The Portfolio may invest in obligations of borrowers who are in bankruptcy proceedings. While the Portfolio generally expects to invest in fully funded term loans, certain of the loans in which the Portfolio may invest include revolving loans, bridge loans, and delayed draw term loans.

Purchasers of floating rate loans may pay and/or receive certain fees. The Portfolio may receive fees such as covenant waiver fees or prepayment penalty fees. The Portfolio may pay fees such as facility fees. Such fees may affect the Portfolio's return.

- **Mezzanine Loans** - Mezzanine loans are secured by the stock of the company that owns the assets. Mezzanine loans are a hybrid of debt and equity financing that is typically used to fund the expansion of existing companies. A mezzanine loan is composed of debt capital that gives the lender the right to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. Mezzanine loans typically are the most subordinated debt obligation in an issuer's capital structure.

### Mortgage- and Asset-Backed Securities

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

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

### Real Estate Investing

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

# Janus Henderson VIT Balanced Portfolio

## Notes to Financial Statements (unaudited)

### 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 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.

### 3. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital Management LLC ("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 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

## Janus Henderson VIT Balanced Portfolio

### Notes to Financial Statements (unaudited)

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 is obligated to provide or arrange for the provision of certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio, 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 \$19,642 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2019. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2019 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, 2019 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 \$231,325 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2019.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or non-affiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or non-affiliated money market funds or cash management pooled investment vehicles that operate as money market funds. 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 (the "Sweep Vehicle") is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. The Sweep Vehicle operates as an "institutional" money market fund and prices its shares at NAV reflecting market-based values of its portfolio securities (i.e., a "floating" NAV) rounded to the fourth decimal place (e.g., \$1.0000). The Sweep Vehicle is permitted to impose a liquidity fee (of up to 2%) on redemptions from the Sweep Vehicle or a redemption gate that temporarily suspends redemptions from the Sweep Vehicle for up to 10 business days during a 90 day period. There are no restrictions on the Portfolio's ability to withdraw investments from the Sweep Vehicle at will, and there are no unfunded capital commitments due from the Portfolio to the Sweep Vehicle. The units of the Sweep Vehicle are not charged any management fee, sales charge or service fee.

# Janus Henderson VIT Balanced Portfolio

## Notes to Financial Statements (unaudited)

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the period ended June 30, 2019 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, 2019, the Portfolio engaged in cross trades amounting to \$83,316,806 in purchases.

### 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, 2019 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>
\$ 3,708,886,657	\$915,804,490	\$(22,970,755)	\$ 892,833,735

### 5. Capital Share Transactions

	<i>Period ended June 30, 2019</i>		<i>Year ended December 31, 2018</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	321,191	\$ 11,647,191	726,691	\$ 25,520,230
Shares from the Acquisition (See Note 9)	-	-	2,240	76,489
Reinvested dividends and distributions	436,738	15,827,390	611,981	20,863,874
Shares repurchased	(1,040,845)	(37,604,812)	(1,582,300)	(56,174,445)
Net Increase/(Decrease)	(282,916)	\$(10,130,231)	(241,388)	\$(9,713,852)
Service Shares:				
Shares sold	8,795,403	\$336,070,161	20,226,560	\$756,832,931
Shares from the Acquisition (See Note 9)	-	-	228,198	8,210,624
Reinvested dividends and distributions	3,631,921	139,029,945	3,834,282	137,724,495
Shares repurchased	(3,232,460)	(122,551,840)	(5,336,065)	(198,934,980)
Net Increase/(Decrease)	9,194,864	\$352,548,266	18,952,975	\$703,833,070

# Janus Henderson VIT Balanced Portfolio

## Notes to Financial Statements (unaudited)

### 6. Purchases and Sales of Investment Securities

For the period ended June 30, 2019, 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>
\$1,252,043,758	\$ 773,632,703	\$ 621,744,183	\$ 919,203,073

### 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 portfolios with fiscal years ending after December 15, 2018. Management is currently evaluating the impacts of ASU 2017-08 on the Portfolio's financial statements.

The FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820)*, in August 2018. The new guidance removes, modifies and enhances the disclosures to Topic 820. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity is permitted, and Management has decided, to early adopt the removed and modified disclosures in these financial statements.

### 8. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2019 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.

# Janus Henderson VIT Balanced Portfolio

## Notes to Financial Statements (unaudited)

### 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.

<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

Unaudited pro forma information:

Assuming the Merger had been completed on January 1, 2018, the pro forma results of operations for the year ended December 31, 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.

# Janus Henderson VIT Balanced Portfolio

## Additional Information (unaudited)

### Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at [janushenderson.com/proxyvoting](http://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](http://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](http://janushenderson.com/vit).

### APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Portfolio of Janus Aspen Series (each, a "VIT Portfolio," and collectively, the "VIT Portfolios"), as well as each Fund of Janus Investment Fund (together with the VIT Portfolios, the "Janus Henderson Funds," and each, a "Janus Henderson Fund"). As required by law, the Trustees determine annually whether to continue the investment advisory agreement for each Janus Henderson Fund and the subadvisory agreement for each Janus Henderson Funds that utilizes a subadviser.

In connection with their most recent consideration of those agreements for each Janus Henderson Fund, the Trustees received and reviewed information provided by Janus Capital and each subadviser 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 the information provided, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 6, 2018, 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 Janus Henderson 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 Janus Henderson Fund, and the subadvisory agreement for each subadvised Janus Henderson Fund, for the period from February 1, 2019 through February 1, 2020, 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, refer to actual annual advisory fees (and, for the purposes of peer comparisons any administration fees excluding out of pocket costs), net of any waivers, paid by a fund as a percentage of average net assets.

### *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 Janus Henderson Funds, taking into account the investment objective, strategies and policies of each Janus Henderson 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 Janus Henderson Funds. In addition, the Trustees

# Janus Henderson VIT Balanced Portfolio

## Additional Information (unaudited)

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 Janus Henderson Funds. The Trustees also considered other services provided to the Janus Henderson 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 Janus Henderson 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 Janus Henderson Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with fund shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Janus Henderson 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 Janus Henderson Funds and fund shareholders, ranging from investment management services to various other servicing functions, and that, in its view, Janus Capital is a capable provider of those services. The independent fee consultant also expressed the view 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 and the subadviser to each Janus Henderson Fund that utilizes a subadviser were appropriate and consistent with the terms of the respective investment advisory and subadvisory agreements, and that, taking into account steps taken to address those Janus Henderson Funds whose performance lagged that of their peers for certain periods, the Janus Henderson 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 Janus Henderson Funds effectively and had demonstrated its ability to attract well-qualified personnel.

### ***Performance of the Funds***

The Trustees considered the performance results of each Janus Henderson Fund over various time periods. They noted that they considered Janus Henderson Fund performance data throughout the year, including periodic meetings with each Janus Henderson Fund's portfolio manager(s), and also reviewed information comparing each Janus Henderson 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 Janus Henderson Fund's benchmark index. In this regard, the independent fee consultant found that the overall Janus Henderson Funds' performance has been reasonable: for the 36 months ended September 30, 2018, approximately 48% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2018, approximately 56% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar.

The Trustees considered the performance of each Janus Henderson Fund, noting that performance may vary by share class, and noted the following with respect to the VIT Portfolios:

- 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, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. The Trustees noted the reasons for the Fund's underperformance, while also noting that the Fund has a



# Janus Henderson VIT Balanced Portfolio

## Additional Information (unaudited)

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 Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 first Broadridge quartile for the 36 months ended May 31, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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.

In consideration of each Janus Henderson 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 Janus Henderson Fund's performance warranted continuation of such Janus Henderson Fund's investment advisory and subadvisory agreement(s).

### **Costs of Services Provided**

The Trustees examined information regarding the fees and expenses of each Janus Henderson 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 management fee rate (investment advisory and any administration fees, but excluding out-of-pocket costs) for many of the Janus Henderson Funds, net of waivers, was below the average management fee rate of the respective peer group of funds selected by Broadridge. 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 Janus Henderson Fund. The Trustees also considered the total expenses for each share class of each Janus Henderson 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 expressed the view that the management fees charged by Janus Capital to each of the Janus Henderson Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. At the fund complex level, the independent fee consultant found: (1) the total expenses and management fees of the Janus Henderson Funds to be reasonable relative to other mutual

# Janus Henderson VIT Balanced Portfolio

## Additional Information (unaudited)

funds; (2) total expenses, on average, were 10% under the average total expenses for the respective Broadridge Expense Group peers and 19% under the average total expenses for the respective Broadridge Expense Universes; (3) management fees for the Janus Henderson Funds, on average, were 8% under the average management fees for the respective Expense Groups and 10% under the average for the respective Expense Universes; and (4) Janus Henderson Fund expenses by function for each asset and share class category were reasonable relative to peer benchmarks.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual share class level, Janus Henderson Fund expenses were found to be reasonable relative to peer benchmarks. Further, for certain Janus Henderson Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to investors in each Janus Henderson Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Janus Henderson Funds were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such “focus list” 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 comparable subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Janus Henderson Funds having a similar strategy, while subadviser fee rates charged to the Janus Henderson Funds were generally within a reasonable range of the fee rates that the subadviser charges to comparable separate account clients or non-affiliated funds. The Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Janus Henderson Funds, Janus Capital performs significant additional services for the Janus Henderson Funds that it does not provide to those other clients, including administration services, oversight of the Janus Henderson Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Janus Henderson Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, the Trustees noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Janus Henderson 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 Henderson mutual fund investors enjoy reasonable fees relative to the fees charged to Janus Henderson institutional and subadvised fund investors; (4) in three of five product categories, the Janus Henderson Funds receive proportionally better pricing than the industry in relation to Janus Henderson institutional clients; and (5) in six of seven strategies, Janus Capital has lower management fees than the management fees charged to funds subadvised by Janus Capital.

The Trustees considered the fees for each Janus Henderson Fund for its fiscal year ended in 2017, including the VIT Portfolios, and noted the following with regard to each VIT Portfolio's total expenses, net of applicable fee waivers (the VIT Portfolio's “total expenses”):

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

# Janus Henderson VIT Balanced Portfolio

## Additional Information (unaudited)

- 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 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 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 Janus Henderson Funds, and considered profitability data of other publicly traded fund managers. 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, differences in complex size, differences in product mix, differences in types of business (mutual fund, institutional and other), differences in the methodology for allocating expenses, and the fund manager's capital structure and cost of capital.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provides to each Janus Henderson Fund. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Janus Henderson Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Janus Henderson 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 Janus Henderson Fund was reasonable. The Trustees also considered that the estimated profitability for an individual Janus Henderson 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 Janus Henderson 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 Janus Henderson Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Janus Henderson Funds was not a material factor in the Board's approval of the reasonableness of any Janus Henderson Fund's investment management fees.

The Trustees concluded that the management fees payable by each Janus Henderson Fund to Janus Capital, as well as the fees paid by Janus Capital to the subadvisers of subadvised Janus Henderson 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 Janus Henderson Funds. The Trustees also concluded that each Janus Henderson Fund's total expenses were reasonable, taking into account the size of the Janus Henderson Fund, the quality of services provided by Janus Capital and any subadviser, the investment performance of the Janus Henderson 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 Janus Henderson Funds increase. They noted the independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Janus Henderson Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, the independent fee consultant concluded that 74% of these Janus Henderson Funds' share classes have contractual management fees (gross of waivers) below their

# Janus Henderson VIT Balanced Portfolio

## Additional Information (unaudited)

Broadridge Expense Group averages. They also noted that for those Janus Henderson Funds whose expenses are being reduced by contractual expense limitations with Janus Capital, Janus Capital is subsidizing certain of these Janus Henderson Funds because they have not reached adequate scale. Moreover, as the assets of some of the Janus Henderson Funds have declined in the past few years, certain Janus Henderson 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 Janus Henderson Funds that have caused the effective rate of advisory fees payable by such a Janus Henderson Fund to vary depending on the investment performance of the Janus Henderson Fund relative to its benchmark index over the measurement period; and a few Janus Henderson Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Janus Henderson 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 Janus Henderson Funds.

The Trustees also considered information provided by the independent fee consultant, which 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 Henderson complex. The independent consultant further 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 Janus Henderson Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Janus Henderson Funds, Janus Capital appeared to be investing to increase the likelihood that these Janus Henderson Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant expressed the view that Janus Henderson Fund investors are well-served by the performance fee structures in place on the Janus Henderson Funds in light of any economies of scale that may be present at Janus Capital.

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 Janus Henderson Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Janus Henderson Fund of any economies of scale that may be present at the current asset level of the Janus Henderson Fund.

### ***Other Benefits to Janus Capital***

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Janus Henderson Funds from their relationships with the Janus Henderson Funds. They recognized that two affiliates of Janus Capital separately serve the Janus Henderson Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided, and that such compensation contributes to the overall profitability of Janus Capital and its affiliates that results from their relationship with the Janus Henderson Funds. The Trustees also considered Janus Capital's and each subadviser's past and proposed use of commissions paid by the Janus Henderson Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Janus Henderson Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Janus Henderson 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 likely to benefit each Janus Henderson 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 Janus Henderson Fund therefor, the Janus Henderson 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 its affiliates 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 the Janus Henderson Funds and other clients serviced by Janus Capital and its affiliates. They also 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 Janus Henderson Funds and that the Janus Henderson 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 certain other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Janus Henderson Fund could attract other business to Janus Capital, the subadvisers or other Janus Henderson funds, and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Janus Henderson 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, 2019. 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.

## **Janus Henderson VIT Balanced Portfolio**

### **Notes**



## **Janus Henderson VIT Balanced Portfolio**

### **Notes**

## **Janus Henderson VIT Balanced Portfolio**

### **Notes**

## Knowledge. Shared

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

Learn more by visiting [janushenderson.com](http://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 Distributors

# Janus Henderson VIT Enterprise Portfolio

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## Janus Aspen Series

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the insurance company that offers your variable life insurance contract or variable annuity contract, may determine that it will no longer send you paper copies of the Portfolio's shareholder reports, unless you specifically request paper copies of the reports. Beginning on January 1, 2021, for shareholders who are not insurance contract holders, paper copies of the Portfolio's shareholder reports will no longer be sent by mail unless you specifically request paper copies of the reports. Instead, the reports will be made available on a website, and your insurance company or plan sponsor, broker-dealer, or financial intermediary will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company or plan sponsor, broker-dealer, or financial intermediary.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Portfolio electronically by contacting your insurance company or plan sponsor, broker-dealer, or other financial intermediary.

You may elect to receive all future reports in paper free of charge by contacting your insurance company or plan sponsor, broker dealer or other financial intermediary. Your election to receive reports in paper will apply to all funds held in your account with your insurance company or plan sponsor, broker dealer or other financial intermediary.

### 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)(closed to certain new investors)

## 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, 2019, Janus Henderson VIT Enterprise Portfolio's Institutional Shares and Service Shares returned 26.55% and 26.41%, respectively. Meanwhile, the Portfolio's benchmark, the Russell Midcap<sup>®</sup> Growth Index, returned 26.08%.

## INVESTMENT ENVIRONMENT

Stocks rebounded in the first quarter after the Federal Reserve indicated it would take a cautious approach to raising interest rates while inflation remained low. Increasing hopes that the U.S. and China were making progress toward a trade deal also supported stocks in the first quarter. In the second quarter stocks were volatile. Equities lost ground in May as setbacks in U.S.-China trade negotiations raised fears that trade tensions will further dent global economic growth. Economic data also pointed to a weakening global economy during the period. Stocks then rebounded in June, driven in part by expectations of more accommodative monetary policy from central banks.

## 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.

Global Payments was one of our largest contributors. Consolidation among payments companies, including a

recently announced merger between Global Payments and Total System Services, has highlighted the value of payments networks and also created enthusiasm for these companies to produce considerable cost synergies. We continue to see upside for the stock. As frictionless transactions become a customer expectation of every retailer and service provider, payments services become increasingly more important to every business. Global Payments is one of a handful of companies that has benefited from this trend.

Constellation Software was another large contributor. The diversified software company has a long history of making strategic acquisitions and becoming the leading software provider for a host of niche industries. Strong organic revenue growth helped drive the stock. The software company deployed a lot of capital toward acquisitions in recent months, which the market has viewed favorably, given Constellation's history of creating value with the companies it targets. We continue to like the company's strategy. By creating “mission critical” software for niche industries, it operates with relatively little competition and has a high degree of pricing power for its services.

CoStar Group was another top contributor. Consistent, strong operating results have continued to drive the stock higher in recent months. Going forward, we like the recurring revenue streams associated with its subscription-based commercial real estate database and see positive optionality around its business in the apartment rental market.

While pleased with the results of many stocks in our portfolio, we still held companies that disappointed. Cimpres was our largest detractor. The company largely focuses on producing marketing collateral for small businesses, but also has a small business-to-consumer segment. Growth for that segment has been slow and the company made a decision to pull back and reassess advertising spending for that business. While this will be a headwind to near-term growth for the business-to-

## Janus Henderson VIT Enterprise Portfolio (unaudited)(closed to certain new investors)

consumer unit, we believe the changes will help improve long-term profitability. We continue to like the stock and believe Cimpres has a unique business model, using its scale and high-volume printing presses to manage and produce small-volume printing orders of marketing collateral and business cards.

National Instruments was another detractor. The company provides measurement solutions that allow other businesses to test their sensors and digital equipment. The company experienced some weakness in demand from China at the beginning of the year, which weighed on the stock, but doesn't change our long-term views on the company. We believe the flexibility of the company's software-based measurement solutions is poised to take share from other companies that offer specific hardware to test various sensors and other digital equipment. We also like the potential durability of National Instruments' earnings streams: once an engineer is trained on its software, we believe it is likely the software of choice for testing equipment over the rest of the engineer's career.

RyanAir also detracted from performance. Heightened competition in Europe has weighed on the stock of the airline company. However, we believe Ryanair is the best operator in Europe, with the lowest cost base. Over time, we expect it to gain market share in the European short-haul market.

### DERIVATIVES USE

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

### OUTLOOK

We believe markets continue to demonstrate a high level of complacency. The number of promising but exceptionally valued companies going public this year speaks to the risk appetite. Excessive valuations of stocks tied to popular growth trends also speak to the market's exuberance.

Our concerns about high valuations are not new, and were also expressed in previous commentaries. We see excessive valuations for many Software as a Service companies. We own a few of these companies – and like the business models and management teams associated with others – but valuation discipline remains a hallmark of our investment process and we remain concerned about excessive valuations associated with many of these businesses.

Some of these highly valued stocks were weaker in the second quarter and our underexposure to them helped relative performance, but valuations still remain high, in our view, so our positioning in the technology sector remains the same. We continue to favor tech hardware companies, many of which trade at attractive earnings multiples, in our view, yet operate in favorable industry structures and have secular tailwinds supporting their businesses as we grow more dependent on connected devices.

In the coming months, we would not be surprised to see trade conflict and slow global economic growth create bouts of volatility again. As the election season approaches, we don't expect business-friendly political rhetoric from either side of the aisle. This, too, could be a source of volatility. We plan to use that volatility to our advantage, using our cash position to add positions of attractive growth companies when attractive valuation opportunities present themselves.

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

# Janus Henderson VIT Enterprise Portfolio (unaudited)(closed to certain new investors)

## Portfolio At A Glance

### June 30, 2019

#### 5 Top Performers - Holdings

	Contribution
Global Payments Inc	1.06%
Constellation Software Inc/Canada	1.02%
CoStar Group Inc	0.99%
WEX Inc	0.81%
STERIS PLC	0.68%

#### 5 Bottom Performers - Holdings

	Contribution
Cimpress NV	-0.15%
National Instruments Corp	-0.10%
Ryanair Holdings PLC (ADR)	-0.07%
Alkermes PLC	-0.04%
Visteon Corp	-0.03%

#### 5 Top Performers - Sectors\*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Health Care	0.92%	16.98%	14.27%
Consumer Discretionary	0.58%	7.97%	16.27%
Consumer Staples	0.53%	0.00%	3.04%
Energy	0.22%	0.61%	1.45%
Communication Services	0.18%	1.21%	3.93%

#### 5 Bottom Performers - Sectors\*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Other**	-1.38%	5.43%	0.00%
Real Estate	-0.22%	3.66%	2.27%
Information Technology	-0.05%	32.52%	32.75%
Financials	0.00%	11.04%	6.66%
Materials	0.05%	1.41%	3.56%

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

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

\*\* Not a GICS classified sector.



# Janus Henderson VIT Enterprise Portfolio (unaudited)(closed to certain new investors)

## Portfolio At A Glance

### June 30, 2019

#### 5 Largest Equity Holdings - (% of Net Assets)

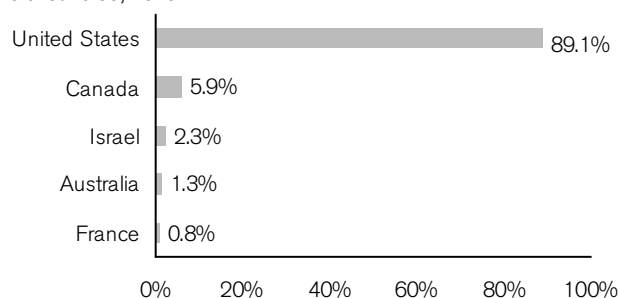
Global Payments Inc	
Information Technology Services	2.3%
Constellation Software Inc/Canada	
Software	2.3%
Nice Ltd (ADR)	
Software	2.3%
Cooper Cos Inc	
Health Care Equipment & Supplies	2.1%
Aon PLC	
Insurance	2.1%
	11.1%

#### Asset Allocation - (% of Net Assets)

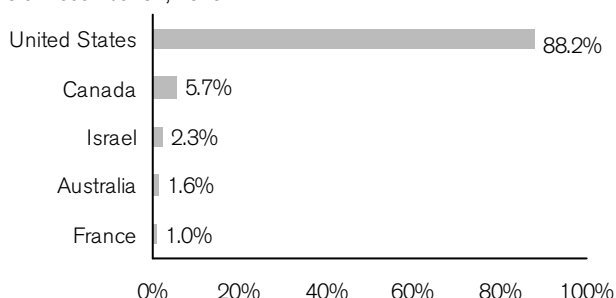
Common Stocks	93.6%
Investment Companies	6.6%
Preferred Stocks	0.0%
Other	(0.2)%
	100.0%

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

As of June 30, 2019

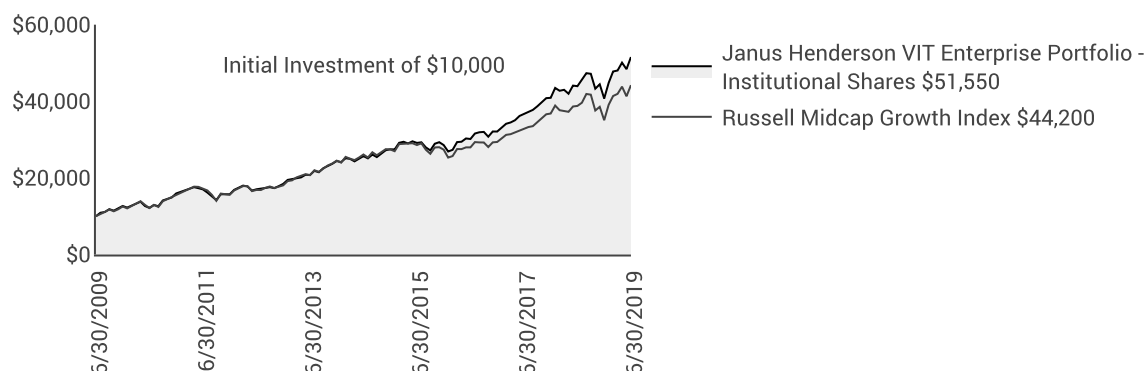


As of December 31, 2018



# Janus Henderson VIT Enterprise Portfolio (unaudited)(closed to certain new investors)

## Performance



Average Annual Total Return - for the periods ended June 30, 2019						Expense Ratios - per the April 30, 2019 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares <sup>(1)</sup>	26.55%	17.30%	14.95%	17.82%	11.39%	0.72%
Service Shares <sup>(1)</sup>	26.41%	17.02%	14.66%	17.53%	11.11%	0.97%
Russell Midcap Growth Index	26.08%	13.94%	11.10%	16.02%	10.02%	
Morningstar Quartile - Institutional Shares	-	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Mid-Cap Growth Funds	-	69/609	22/550	7/504	20/147	

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](http://janushenderson.com/VITperformance).

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

Returns do not reflect the deduction of fees, charges or expenses of any insurance product or qualified plan. If applied, returns would have been lower.

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)(closed to certain new investors)** **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)(closed to certain new investors)

## 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](http://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 (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Beginning Account Value (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Net Annualized Expense Ratio (1/1/19 - 6/30/19)
Institutional Shares	\$1,000.00	\$1,265.50	\$4.04	\$1,000.00	\$1,021.22	\$3.61	0.72%
Service Shares	\$1,000.00	\$1,264.10	\$5.45	\$1,000.00	\$1,019.98	\$4.86	0.97%

<sup>†</sup> 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, 2019

	Shares	Value
Common Stocks – 93.6%		
Aerospace & Defense – 3.6%		
Harris Corp*	105,294	\$19,914,254
HEICO Corp	90,459	9,350,747
Teledyne Technologies Inc*	88,061	24,117,266
		53,382,267
Airlines – 0.6%		
Ryanair Holdings PLC (ADR)*	135,999	8,722,976
Auto Components – 0.3%		
Visteon Corp*	80,376	4,708,426
Banks – 0.4%		
SVB Financial Group*	26,896	6,040,573
Biotechnology – 2.4%		
Alkermes PLC*	4,413	99,469
Celgene Corp*	157,065	14,519,089
Neurocrine Biosciences Inc*	128,843	10,878,214
Sage Therapeutics Inc*	22,623	4,142,045
Sarepta Therapeutics Inc*	43,187	6,562,265
		36,201,082
Capital Markets – 5.0%		
Cboe Global Markets Inc	84,590	8,766,062
LPL Financial Holdings Inc	319,066	26,026,214
MSCI Inc	46,208	11,034,008
TD Ameritrade Holding Corp	562,144	28,062,228
		73,888,512
Commercial Services & Supplies – 2.6%		
Cimpress NV*	150,495	13,678,491
Edenred	251,829	12,842,518
Ritchie Bros Auctioneers Inc	377,759	12,549,154
		39,070,163
Consumer Finance – 0.6%		
Synchrony Financial	233,256	8,086,986
Containers & Packaging – 1.3%		
Sealed Air Corp	451,026	19,294,892
Diversified Consumer Services – 1.8%		
frontdoor Inc*	181,704	7,913,209
ServiceMaster Global Holdings Inc*	363,409	18,929,975
		26,843,184
Electrical Equipment – 1.9%		
Sensata Technologies Holding PLC*	581,594	28,498,106
Electronic Equipment, Instruments & Components – 5.5%		
Belden Inc	138,953	8,277,430
Dolby Laboratories Inc	235,424	15,208,390
Flex Ltd*	1,103,036	10,556,055
National Instruments Corp	424,583	17,828,240
TE Connectivity Ltd	313,876	30,063,043
		81,933,158
Entertainment – 0.5%		
Liberty Media Corp-Liberty Formula One*	184,442	6,899,975
Equity Real Estate Investment Trusts (REITs) – 3.5%		
Crown Castle International Corp	207,128	26,999,135
Lamar Advertising Co	314,915	25,416,790
		52,415,925
Health Care Equipment & Supplies – 8.5%		
Boston Scientific Corp (144A)*	733,376	31,520,500
Cooper Cos Inc	93,802	31,600,956
ICU Medical Inc*	55,143	13,891,073
STERIS PLC	180,575	26,884,006
Teleflex Inc	39,161	12,968,165

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, 2019**

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Health Care Equipment & Supplies – (continued)		
Varian Medical Systems Inc*	72,022	\$9,804,355
		126,669,055
Hotels, Restaurants & Leisure – 3.1%		
Aramark	333,527	12,026,984
Dunkin' Brands Group Inc	245,287	19,539,562
Norwegian Cruise Line Holdings Ltd*	254,860	13,668,142
		45,234,688
Industrial Conglomerates – 1.2%		
Carlisle Cos Inc	123,208	17,299,635
Information Technology Services – 11.5%		
Amdocs Ltd	333,458	20,704,407
Broadridge Financial Solutions Inc	192,145	24,533,074
Euronet Worldwide Inc*	45,657	7,681,334
Fidelity National Information Services Inc	188,370	23,109,232
Gartner Inc*	69,825	11,237,636
Global Payments Inc	216,278	34,632,596
GoDaddy Inc*	287,838	20,191,836
WEX Inc*	138,445	28,810,404
		170,900,519
Insurance – 5.2%		
Aon PLC	163,736	31,597,773
Intact Financial Corp	233,355	21,567,605
WR Berkley Corp	357,570	23,574,590
		76,739,968
Internet & Direct Marketing Retail – 0.4%		
Wayfair Inc*	44,803	6,541,238
Life Sciences Tools & Services – 4.6%		
IQVIA Holdings Inc*	142,379	22,908,781
PerkinElmer Inc	286,676	27,618,366
Waters Corp*	82,234	17,700,046
		68,227,193
Machinery – 3.0%		
Middleby Corp*	79,613	10,803,484
Rexnord Corp*	561,124	16,957,167
Wabtec Corp	230,728	16,557,041
		44,317,692
Media – 0.7%		
Omnicom Group Inc	131,359	10,764,870
Oil, Gas & Consumable Fuels – 1.6%		
Magellan Midstream Partners LP	372,669	23,850,816
Pharmaceuticals – 1.3%		
Catalent Inc*	297,473	16,126,011
Elanco Animal Health Inc*	103,188	3,487,754
		19,613,765
Professional Services – 4.6%		
CoStar Group Inc*	53,172	29,460,478
IHS Markit Ltd*	204,021	13,000,218
Verisk Analytics Inc	172,072	25,201,665
		67,662,361
Road & Rail – 0.7%		
Old Dominion Freight Line Inc	71,430	10,661,642
Semiconductor & Semiconductor Equipment – 6.3%		
KLA-Tencor Corp	152,971	18,081,172
Lam Research Corp	91,546	17,196,001
Microchip Technology Inc <sup>#</sup>	324,634	28,145,768
ON Semiconductor Corp*	1,043,946	21,098,149
Xilinx Inc	79,866	9,417,799
		93,938,889

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, 2019

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Software – 8.5%		
Atlassian Corp PLC*	146,675	\$19,190,957
Constellation Software Inc/Canada	36,314	34,229,842
Intuit Inc	38,480	10,055,978
Nice Ltd (ADR)*	246,748	33,804,476
SS&C Technologies Holdings Inc	488,553	28,145,538
		125,426,791
Specialty Retail – 0.5%		
Williams-Sonoma Inc	111,577	7,252,505
Textiles, Apparel & Luxury Goods – 1.3%		
Gildan Activewear Inc	503,751	19,485,089
Trading Companies & Distributors – 0.6%		
Ferguson PLC	124,438	8,847,913
Total Common Stocks (cost \$774,845,201)		1,389,420,854
Preferred Stocks – 0%		
Electronic Equipment, Instruments & Components – 0%		
Belden Inc, 6.7500%, 7/15/19 (cost \$1,200,000)	12,000	946,320
Investment Companies – 6.6%		
Investments Purchased with Cash Collateral from Securities Lending – 0.4%		
Janus Henderson Cash Collateral Fund LLC, 2.3576% <sup>Ⓜ, Ⓛ</sup>	5,663,871	5,663,871
Money Markets – 6.2%		
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>Ⓜ, Ⓛ</sup>	91,884,139	91,884,139
Total Investment Companies (cost \$97,548,403)		97,548,010
Total Investments (total cost \$873,593,604) – 100.2%		1,487,915,184
Liabilities, net of Cash, Receivables and Other Assets – (0.2)%		(3,456,533)
Net Assets – 100%		\$1,484,458,651

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

<i>Country</i>	<i>Value</i>	<i>% of Investment Securities</i>
United States	\$1,325,522,567	89.1 %
Canada	87,831,690	5.9
Israel	33,804,476	2.3
Australia	19,190,957	1.3
France	12,842,518	0.8
Ireland	8,722,976	0.6
Total	\$1,487,915,184	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, 2019

#### 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 6/30/19</i>
Investment Companies - 6.6%								
Investments Purchased with Cash Collateral from Securities Lending - 0.4%								
Janus Henderson Cash Collateral Fund LLC, 2.3576%	\$	57,979 <sup>Δ</sup>	\$	-	\$	-	\$	5,663,871
Money Markets - 6.2%								
Janus Henderson Cash Liquidity LLC, 2.5007%		892,818		(208)		(393)		91,884,139
Total Affiliated Investments - 6.6%	\$	950,797	\$	(208)	\$	(393)	\$	97,548,010

		<i>Share Balance at 12/31/18</i>		<i>Purchases</i>		<i>Sales</i>		<i>Share Balance at 6/30/19</i>
Investment Companies - 6.6%								
Investments Purchased with Cash Collateral from Securities Lending - 0.4%								
Janus Henderson Cash Collateral Fund LLC, 2.3576%		2,758,029		92,719,998		(89,814,156)		5,663,871
Money Markets - 6.2%								
Janus Henderson Cash Liquidity LLC, 2.5007%		63,166,325		99,743,539		(71,025,725)		91,884,139

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, 2019

#### Schedule of Forward Foreign Currency Exchange Contracts, Open

Counterparty/ Foreign Currency	Settlement Date	Foreign Currency Amount (Sold)/ Purchased	USD Currency Amount (Sold)/ Purchased	Market Value and Unrealized Appreciation/ (Depreciation)
Barclays Capital, Inc.:				
Canadian Dollar	8/8/19	(4,268,000)	\$ 3,187,704	\$ (74,777)
Euro	8/8/19	(36,000)	40,535	(528)
				(75,305)
Citibank NA:				
Canadian Dollar	8/8/19	(6,896,000)	5,150,761	(120,577)
Euro	8/8/19	(6,111,000)	6,883,472	(86,827)
				(207,404)
Credit Suisse International:				
Canadian Dollar	9/12/19	(8,420,000)	6,409,134	(30,444)
HSBC Securities (USA), Inc.:				
Canadian Dollar	7/11/19	(7,635,000)	5,687,270	(144,988)
Euro	7/11/19	(5,588,000)	6,298,468	(59,382)
				(204,370)
JPMorgan Chase & Co.:				
Euro	8/8/19	(6,019,000)	6,771,969	(93,393)
Total			\$	(610,916)

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, 2019.

#### Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2019

	Currency Contracts
Liability Derivatives:	
Forward foreign currency exchange contracts	\$610,916

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, 2019

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, 2019.

#### The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2019

<i>Amount of Realized Gain/(Loss) Recognized on Derivatives</i>			
<i>Derivative</i>	<i>Currency Contracts</i>	<i>Interest Rate Contracts</i>	<i>Total</i>
Forward foreign currency exchange contracts	\$ -	\$ 676,806	\$ 676,806

<i>Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives</i>			
<i>Derivative</i>	<i>Currency Contracts</i>	<i>Interest Rate Contracts</i>	<i>Total</i>
Forward foreign currency exchange contracts	\$(950,350)	\$ -	\$(950,350)

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, 2019

	<i>Market Value<sup>(a)</sup></i>
Forward foreign currency exchange contracts, sold	\$ 36,580,133

(a) Forward foreign currency exchange contracts are reported as the average ending monthly currency amount sold.

# Janus Henderson VIT Enterprise Portfolio

## Notes to Schedule of Investments and Other Information (unaudited)

Russell Midcap<sup>®</sup> Growth Index      Russell Midcap<sup>®</sup> 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

LP      Limited Partnership

PLC      Public Limited 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, 2019 is \$31,520,500, which represents 2.1% of net assets.

\*      Non-income producing security.

°°      Rate shown is the 7-day yield as of June 30, 2019.

#      Loaned security; a portion of the security is on loan at June 30, 2019.

£      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, 2019. See Notes to Financial Statements for more information.

### Valuation Inputs Summary

	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
<b>Assets</b>			
<b>Investments In Securities:</b>			
Common Stocks	\$ 1,389,420,854	\$ -	\$ -
Preferred Stocks	-	946,320	-
Investment Companies	-	97,548,010	-
<b>Total Assets</b>	<b>\$ 1,389,420,854</b>	<b>\$ 98,494,330</b>	<b>\$ -</b>
<b>Liabilities</b>			
<b>Other Financial Instruments<sup>(a)</sup>:</b>			
Forward Foreign Currency Exchange Contracts	\$ -	\$ 610,916	\$ -

(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, 2019

Assets:		
Unaffiliated investments, at value <sup>(1)(2)</sup>	\$	1,390,367,174
Affiliated investments, at value <sup>(3)</sup>		97,548,010
Cash		53,964
Cash denominated in foreign currency <sup>(4)</sup>		27
Closed foreign currency contracts		380
Non-interested Trustees' deferred compensation		37,478
Receivables:		
Portfolio shares sold		3,168,649
Dividends		653,109
Investments sold		387,405
Dividends from affiliates		161,834
Foreign tax reclaims		16,930
Other assets		5,663
<b>Total Assets</b>		<b>1,492,400,623</b>
Liabilities:		
Collateral for securities loaned (Note 3)		5,663,871
Forward foreign currency exchange contracts		610,916
Closed foreign currency contracts		500
Payables:		
Advisory fees		760,727
Portfolio shares repurchased		525,180
12b-1 Distribution and shareholder servicing fees		151,452
Transfer agent fees and expenses		61,103
Non-interested Trustees' deferred compensation fees		37,478
Professional fees		15,785
Non-interested Trustees' fees and expenses		8,846
Affiliated portfolio administration fees payable		2,972
Custodian fees		2,108
Accrued expenses and other payables		101,034
<b>Total Liabilities</b>		<b>7,941,972</b>
<b>Net Assets</b>	<b>\$</b>	<b>1,484,458,651</b>
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	809,537,860
Total distributable earnings (loss)		674,920,791
<b>Total Net Assets</b>	<b>\$</b>	<b>1,484,458,651</b>
<b>Net Assets - Institutional Shares</b>	<b>\$</b>	<b>728,128,735</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		9,114,612
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>79.89</b>
<b>Net Assets - Service Shares</b>	<b>\$</b>	<b>756,329,916</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		10,114,647
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>74.78</b>

(1) Includes cost of \$776,045,201.

(2) Includes \$5,545,502 of securities on loan. See Note 3 in Notes to Financial Statements.

(3) Includes cost of \$97,548,403.

(4) Includes cost of \$27.

See Notes to Financial Statements.

# Janus Henderson VIT Enterprise Portfolio

## Statement of Operations (unaudited)

### For the period ended June 30, 2019

Investment Income:		
Dividends	\$	6,728,697
Dividends from affiliates		892,818
Affiliated securities lending income, net		57,979
Interest		827
Foreign tax withheld		(248,686)
<b>Total Investment Income</b>		<b>7,431,635</b>
Expenses:		
Advisory fees		4,319,764
12b-1 Distribution and shareholder servicing fees:		
Service Shares		854,668
Transfer agent administrative fees and expenses:		
Institutional Shares		166,548
Service Shares		170,934
Other transfer agent fees and expenses:		
Institutional Shares		8,253
Service Shares		5,061
Shareholder reports expense		58,066
Professional fees		27,380
Custodian fees		18,666
Non-interested Trustees' fees and expenses		17,050
Affiliated portfolio administration fees		14,989
Registration fees		14,029
Other expenses		58,557
<b>Total Expenses</b>		<b>5,733,965</b>
<b>Net Investment Income/(Loss)</b>		<b>1,697,670</b>
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		59,385,343
Investments in affiliates		(208)
Forward foreign currency exchange contracts		676,806
<b>Total Net Realized Gain/(Loss) on Investments</b>		<b>60,061,941</b>
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		248,639,652
Investments in affiliates		(393)
Forward foreign currency exchange contracts		(950,350)
<b>Total Change in Unrealized Net Appreciation/Depreciation</b>		<b>247,688,909</b>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>\$</b>	<b>309,448,520</b>

See Notes to Financial Statements.

# Janus Henderson VIT Enterprise Portfolio

## Statements of Changes in Net Assets

	<i>Period ended</i> <i>June 30, 2019</i> <i>(unaudited)</i>		<i>Year ended</i> <i>December 31, 2018</i>
Operations:			
Net investment income/(loss)	\$	1,697,670	\$ 2,074,204
Net realized gain/(loss) on investments		60,061,941	84,724,787
Change in unrealized net appreciation/depreciation		247,688,909	(94,627,700)
Net Increase/(Decrease) in Net Assets Resulting from Operations		309,448,520	(7,828,709)
Dividends and Distributions to Shareholders			
Institutional Shares		(41,294,425)	(30,474,258)
Service Shares		(45,165,219)	(30,628,519)
Net Decrease from Dividends and Distributions to Shareholders		(86,459,644)	(61,102,777)
Capital Share Transactions:			
Institutional Shares		38,763,288	(10,085,696)
Service Shares		56,257,181	71,166,601
Net Increase/(Decrease) from Capital Share Transactions		95,020,469	61,080,905
Net Increase/(Decrease) in Net Assets		318,009,345	(7,850,581)
Net Assets:			
Beginning of period		1,166,449,306	1,174,299,887
End of period	\$	1,484,458,651	\$ 1,166,449,306

See Notes to Financial Statements.

# Janus Henderson VIT Enterprise Portfolio

## Financial Highlights

### Institutional Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$67.02	\$70.65	\$59.27	\$57.33	\$61.75	\$58.96
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.15	0.21	0.11	0.28	0.27	0.27
Net realized and unrealized gain/(loss)	17.56	(0.16)	15.67	6.50	2.55	6.79
Total from Investment Operations	17.71	0.05	15.78	6.78	2.82	7.06
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.09)	(0.18)	(0.17)	(0.09)	(0.40)	(0.10)
Distributions (from capital gains)	(4.75)	(3.50)	(4.23)	(4.75)	(6.84)	(4.17)
Total Dividends and Distributions	(4.84)	(3.68)	(4.40)	(4.84)	(7.24)	(4.27)
Net Asset Value, End of Period	\$79.89	\$67.02	\$70.65	\$59.27	\$57.33	\$61.75
Total Return*	26.55%	(0.41)%	27.42%	12.36%	4.05%	12.50%
Net Assets, End of Period (in thousands)	\$728,129	\$577,477	\$618,750	\$459,250	\$418,158	\$417,895
Average Net Assets for the Period (in thousands)	\$674,876	\$641,390	\$556,940	\$435,190	\$427,941	\$402,634
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.72%	0.72%	0.73%	0.72%	0.68%	0.68%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.72%	0.72%	0.73%	0.72%	0.68%	0.68%
Ratio of Net Investment Income/(Loss)	0.38%	0.29%	0.17%	0.48%	0.44%	0.45%
Portfolio Turnover Rate	7%	14%	14%	20%	22%	16%

### Service Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$63.00	\$66.67	\$56.22	\$54.67	\$59.26	\$56.80
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.05	0.03	(0.05)	0.12	0.11	0.12
Net realized and unrealized gain/(loss)	16.50	(0.12)	14.82	6.19	2.45	6.53
Total from Investment Operations	16.55	(0.09)	14.77	6.31	2.56	6.65
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.02)	(0.08)	(0.09)	(0.01)	(0.31)	(0.02)
Distributions (from capital gains)	(4.75)	(3.50)	(4.23)	(4.75)	(6.84)	(4.17)
Total Dividends and Distributions	(4.77)	(3.58)	(4.32)	(4.76)	(7.15)	(4.19)
Net Asset Value, End of Period	\$74.78	\$63.00	\$66.67	\$56.22	\$54.67	\$59.26
Total Return*	26.39%	(0.65)%	27.09%	12.10%	3.77%	12.24%
Net Assets, End of Period (in thousands)	\$756,330	\$588,973	\$555,550	\$419,251	\$321,482	\$278,240
Average Net Assets for the Period (in thousands)	\$692,620	\$612,433	\$489,237	\$373,400	\$299,393	\$262,698
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.97%	0.97%	0.98%	0.97%	0.94%	0.93%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.97%	0.97%	0.98%	0.97%	0.94%	0.93%
Ratio of Net Investment Income/(Loss)	0.13%	0.04%	(0.08)%	0.22%	0.19%	0.20%
Portfolio Turnover Rate	7%	14%	14%	20%	22%	16%

\* Total return includes adjustments in accordance with generally accepted accounting principles required at the year or period end and are not annualized for periods of less than one full year. Total return 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 (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, 2019 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.

### 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 daily on the accrual basis and includes amortization of premiums and accretion of discounts. The Portfolio classifies gains and losses on prepayments received as an adjustment to interest income. Debt securities may be placed in non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivables when collection of all or a portion of interest has become doubtful. 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 Portfolio'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, 2019 is discussed in further detail below. A summary of derivative activity by the Portfolio 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

# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

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 or 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 Portfolio 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 Portfolio 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 Portfolio's commitment with respect to certain exchange-traded derivatives, centrally cleared derivatives, forward foreign currency exchange contracts, short sales, and/or securities with extended settlement dates. There is no guarantee that counterparty exposure is reduced

# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

and these arrangements are dependent on Janus Capital Management LLC's ("Janus Capital") 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

# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

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.

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, 2019" table located in the Portfolio's Schedule of Investments.

# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

### Offsetting of Financial Assets and Derivative Assets

<i>Counterparty</i>		<i>Gross Amounts of Recognized Assets</i>		<i>Offsetting Asset or Liability<sup>(a)</sup></i>		<i>Collateral Pledged<sup>(b)</sup></i>		<i>Net Amount</i>
Deutsche Bank AG	\$	5,545,502	\$	—	\$	(5,545,502)	\$	—

### Offsetting of Financial Liabilities and Derivative Liabilities

<i>Counterparty</i>		<i>Gross Amounts of Recognized Liabilities</i>		<i>Offsetting Asset or Liability<sup>(a)</sup></i>		<i>Collateral Pledged<sup>(b)</sup></i>		<i>Net Amount</i>
Barclays Capital, Inc.	\$	75,305	\$	—	\$	—	\$	75,305
Citibank NA		207,404		—		—		207,404
Credit Suisse International		30,444		—		—		30,444
HSBC Securities (USA), Inc.		204,370		—		—		204,370
JPMorgan Chase & Co.		93,393		—		—		93,393
Total	\$	610,916	\$	—	\$	—	\$	610,916

(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. For financial reporting purposes, the Portfolio does not offset financial instruments' payables and receivables and related collateral on the Statement of Assets and Liabilities. 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. See "Securities Lending" in the notes to financial statements for additional information.

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.

The Portfolio may require the counterparty to pledge securities as collateral daily (based on the daily valuation of the financial asset) if the Portfolio has a net aggregate unrealized gain on OTC derivative contracts with a particular counterparty. The Portfolio may deposit cash as collateral with the counterparty and/or custodian daily (based on the daily valuation of the financial asset) if the Portfolio has a net aggregate unrealized loss on OTC derivative contracts with a particular counterparty. The collateral amounts are subject to minimum exposure requirements and initial margin requirements. Collateral amounts are monitored and subsequently adjusted up or down as valuations fluctuate by at least the minimum exposure requirement. Collateral may reduce the risk of loss.

### 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.

# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

### 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.

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, 2019, securities lending transactions accounted for as secured borrowings with an overnight and continuous contractual maturity are \$5,545,502. Gross amounts of recognized liabilities for securities lending (collateral received) as of June 30, 2019 is \$5,663,871, resulting in the net amount due to the counterparty of \$118,369.

### 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.

## Janus Henderson VIT Enterprise Portfolio

### Notes to Financial Statements (unaudited)

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 is obligated to provide or arrange for the provision of certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio, 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 \$19,642 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2019. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2019 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, 2019 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 \$231,325 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2019.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or non-affiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or non-affiliated money market funds or cash management pooled investment vehicles that operate as money market funds. 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



# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

Liquidity Fund LLC (the "Sweep Vehicle") is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. The Sweep Vehicle operates as an "institutional" money market fund and prices its shares at NAV reflecting market-based values of its portfolio securities (i.e., a "floating" NAV) rounded to the fourth decimal place (e.g., \$1.0000). The Sweep Vehicle is permitted to impose a liquidity fee (of up to 2%) on redemptions from the Sweep Vehicle or a redemption gate that temporarily suspends redemptions from the Sweep Vehicle for up to 10 business days during a 90 day period. There are no restrictions on the Portfolio's ability to withdraw investments from the Sweep Vehicle at will, and there are no unfunded capital commitments due from the Portfolio to the Sweep Vehicle. The units of the Sweep Vehicle 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, 2019 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, 2019, the Portfolio engaged in cross trades amounting to \$442,227 in sales, resulting in a net realized gain of \$129,305. The net realized gain is included within the "Net Realized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

### 5. Federal Income Tax

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

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

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, 2019 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>
\$ 873,639,844	\$623,006,382	\$ (8,731,042)	\$ 614,275,340

Information on the tax components of derivatives as of June 30, 2019 is as follows:

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ -	\$ -	\$ (610,916)	\$ (610,916)

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

# Janus Henderson VIT Enterprise Portfolio

## Notes to Financial Statements (unaudited)

### 6. Capital Share Transactions

	Period ended June 30, 2019		Year ended December 31, 2018	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	669,775	\$51,955,851	1,094,919	\$ 81,180,091
Reinvested dividends and distributions	525,910	41,294,425	411,872	30,474,258
Shares repurchased	(697,713)	(54,486,988)	(1,648,195)	(121,740,045)
Net Increase/(Decrease)	497,972	\$38,763,288	(141,404)	\$ (10,085,696)
Service Shares:				
Shares sold	1,153,580	\$83,941,612	2,327,514	\$162,490,283
Reinvested dividends and distributions	614,493	45,165,219	439,794	30,628,519
Shares repurchased	(1,002,915)	(72,849,650)	(1,750,080)	(121,952,201)
Net Increase/(Decrease)	765,158	\$56,257,181	1,017,228	\$ 71,166,601

### 7. Purchases and Sales of Investment Securities

For the period ended June 30, 2019, 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
\$94,789,981	\$ 118,046,744	\$ -	\$ -

### 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 portfolios with fiscal years ending after December 15, 2018. Management is currently evaluating the impacts of ASU 2017-08 on the Portfolio's financial statements.

The FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820)*, in August 2018. The new guidance removes, modifies and enhances the disclosures to Topic 820. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity is permitted, and Management has decided, to early adopt the removed and modified disclosures in these financial statements.

### 9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2019 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.

# Janus Henderson VIT Enterprise Portfolio

## Additional Information (unaudited)

### Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at [janushenderson.com/proxyvoting](http://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](http://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](http://janushenderson.com/vit).

### APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Portfolio of Janus Aspen Series (each, a "VIT Portfolio," and collectively, the "VIT Portfolios"), as well as each Fund of Janus Investment Fund (together with the VIT Portfolios, the "Janus Henderson Funds," and each, a "Janus Henderson Fund"). As required by law, the Trustees determine annually whether to continue the investment advisory agreement for each Janus Henderson Fund and the subadvisory agreement for each Janus Henderson Funds that utilizes a subadviser.

In connection with their most recent consideration of those agreements for each Janus Henderson Fund, the Trustees received and reviewed information provided by Janus Capital and each subadviser 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 the information provided, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 6, 2018, 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 Janus Henderson 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 Janus Henderson Fund, and the subadvisory agreement for each subadvised Janus Henderson Fund, for the period from February 1, 2019 through February 1, 2020, 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, refer to actual annual advisory fees (and, for the purposes of peer comparisons any administration fees excluding out of pocket costs), net of any waivers, paid by a fund as a percentage of average net assets.

### *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 Janus Henderson Funds, taking into account the investment objective, strategies and policies of each Janus Henderson Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a

# Janus Henderson VIT Enterprise Portfolio

## Additional Information (unaudited)

quarterly basis and their ongoing review of information related to the Janus Henderson 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 Janus Henderson Funds. The Trustees also considered other services provided to the Janus Henderson 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 Janus Henderson 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 Janus Henderson Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with fund shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Janus Henderson 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 Janus Henderson Funds and fund shareholders, ranging from investment management services to various other servicing functions, and that, in its view, Janus Capital is a capable provider of those services. The independent fee consultant also expressed the view 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 and the subadviser to each Janus Henderson Fund that utilizes a subadviser were appropriate and consistent with the terms of the respective investment advisory and subadvisory agreements, and that, taking into account steps taken to address those Janus Henderson Funds whose performance lagged that of their peers for certain periods, the Janus Henderson 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 Janus Henderson Funds effectively and had demonstrated its ability to attract well-qualified personnel.

### ***Performance of the Funds***

The Trustees considered the performance results of each Janus Henderson Fund over various time periods. They noted that they considered Janus Henderson Fund performance data throughout the year, including periodic meetings with each Janus Henderson Fund's portfolio manager(s), and also reviewed information comparing each Janus Henderson 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 Janus Henderson Fund's benchmark index. In this regard, the independent fee consultant found that the overall Janus Henderson Funds' performance has been reasonable: for the 36 months ended September 30, 2018, approximately 48% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2018, approximately 56% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar.

The Trustees considered the performance of each Janus Henderson Fund, noting that performance may vary by share class, and noted the following with respect to the VIT Portfolios:

- 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, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31,

# Janus Henderson VIT Enterprise Portfolio

## Additional Information (unaudited)

2018. 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 Research Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 first Broadridge quartile for the 36 months ended May 31, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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.

In consideration of each Janus Henderson 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 Janus Henderson Fund's performance warranted continuation of such Janus Henderson Fund's investment advisory and subadvisory agreement(s).

### **Costs of Services Provided**

The Trustees examined information regarding the fees and expenses of each Janus Henderson 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 management fee rate (investment advisory and any administration fees, but excluding out-of-pocket costs) for many of the Janus Henderson Funds, net of waivers, was below the average management fee rate of the respective peer group of funds selected by Broadridge. 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 Janus Henderson Fund. The Trustees also considered the total expenses for each share class of each Janus Henderson 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 expressed the view that the management fees charged by Janus Capital to each of the Janus Henderson Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. At the fund complex level, the independent fee consultant found: (1)

## Janus Henderson VIT Enterprise Portfolio

### Additional Information (unaudited)

the total expenses and management fees of the Janus Henderson Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% under the average total expenses for the respective Broadridge Expense Group peers and 19% under the average total expenses for the respective Broadridge Expense Universes; (3) management fees for the Janus Henderson Funds, on average, were 8% under the average management fees for the respective Expense Groups and 10% under the average for the respective Expense Universes; and (4) Janus Henderson Fund expenses by function for each asset and share class category were reasonable relative to peer benchmarks.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual share class level, Janus Henderson Fund expenses were found to be reasonable relative to peer benchmarks. Further, for certain Janus Henderson Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to investors in each Janus Henderson Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Janus Henderson Funds were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such “focus list” 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 comparable subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Janus Henderson Funds having a similar strategy, while subadviser fee rates charged to the Janus Henderson Funds were generally within a reasonable range of the fee rates that the subadviser charges to comparable separate account clients or non-affiliated funds. The Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Janus Henderson Funds, Janus Capital performs significant additional services for the Janus Henderson Funds that it does not provide to those other clients, including administration services, oversight of the Janus Henderson Funds’ other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Janus Henderson Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, the Trustees noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Janus Henderson 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 Henderson mutual fund investors enjoy reasonable fees relative to the fees charged to Janus Henderson institutional and subadvised fund investors; (4) in three of five product categories, the Janus Henderson Funds receive proportionally better pricing than the industry in relation to Janus Henderson institutional clients; and (5) in six of seven strategies, Janus Capital has lower management fees than the management fees charged to funds subadvised by Janus Capital.

The Trustees considered the fees for each Janus Henderson Fund for its fiscal year ended in 2017, including the VIT Portfolios, and noted the following with regard to each VIT Portfolio's total expenses, net of applicable fee waivers (the VIT Portfolio's “total expenses”):

- 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.

# Janus Henderson VIT Enterprise Portfolio

## Additional Information (unaudited)

- 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 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 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 Janus Henderson Funds, and considered profitability data of other publicly traded fund managers. 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, differences in complex size, differences in product mix, differences in types of business (mutual fund, institutional and other), differences in the methodology for allocating expenses, and the fund manager's capital structure and cost of capital.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provides to each Janus Henderson Fund. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Janus Henderson Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Janus Henderson 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 Janus Henderson Fund was reasonable. The Trustees also considered that the estimated profitability for an individual Janus Henderson 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 Janus Henderson 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 Janus Henderson Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Janus Henderson Funds was not a material factor in the Board's approval of the reasonableness of any Janus Henderson Fund's investment management fees.

The Trustees concluded that the management fees payable by each Janus Henderson Fund to Janus Capital, as well as the fees paid by Janus Capital to the subadvisers of subadvised Janus Henderson 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 Janus Henderson Funds. The Trustees also concluded that each Janus Henderson Fund's total expenses were reasonable, taking into account the size of the Janus Henderson Fund, the quality of services provided by Janus Capital and any subadviser, the investment performance of the Janus Henderson 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 Janus Henderson Funds increase. They noted the independent fee consultant's analysis of economies of scale

## **Janus Henderson VIT Enterprise Portfolio**

### **Additional Information (unaudited)**

in prior years. They also noted that, although many Janus Henderson Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, the independent fee consultant concluded that 74% of these Janus Henderson Funds' share classes have contractual management fees (gross of waivers) below their Broadridge Expense Group averages. They also noted that for those Janus Henderson Funds whose expenses are being reduced by contractual expense limitations with Janus Capital, Janus Capital is subsidizing certain of these Janus Henderson Funds because they have not reached adequate scale. Moreover, as the assets of some of the Janus Henderson Funds have declined in the past few years, certain Janus Henderson 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 Janus Henderson Funds that have caused the effective rate of advisory fees payable by such a Janus Henderson Fund to vary depending on the investment performance of the Janus Henderson Fund relative to its benchmark index over the measurement period; and a few Janus Henderson Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Janus Henderson 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 Janus Henderson Funds.

The Trustees also considered information provided by the independent fee consultant, which 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 Henderson complex. The independent consultant further 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 Janus Henderson Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Janus Henderson Funds, Janus Capital appeared to be investing to increase the likelihood that these Janus Henderson Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant expressed the view that Janus Henderson Fund investors are well-served by the performance fee structures in place on the Janus Henderson Funds in light of any economies of scale that may be present at Janus Capital.

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 Janus Henderson Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Janus Henderson Fund of any economies of scale that may be present at the current asset level of the Janus Henderson Fund.

#### ***Other Benefits to Janus Capital***

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Janus Henderson Funds from their relationships with the Janus Henderson Funds. They recognized that two affiliates of Janus Capital separately serve the Janus Henderson Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided, and that such compensation contributes to the overall profitability of Janus Capital and its affiliates that results from their relationship with the Janus Henderson Funds. The Trustees also considered Janus Capital's and each subadviser's past and proposed use of commissions paid by the Janus Henderson Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Janus Henderson Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Janus Henderson 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 likely to benefit each Janus Henderson 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 Janus Henderson Fund therefor, the Janus Henderson 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 its affiliates 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 the Janus Henderson Funds and other clients serviced by Janus Capital and its affiliates. They also 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 Janus Henderson Funds and that the Janus Henderson 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 certain other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Janus Henderson Fund could attract other business to Janus Capital, the subadvisers or other Janus Henderson funds,



## **Janus Henderson VIT Enterprise Portfolio**

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and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Janus Henderson 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, 2019. 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](http://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 Distributors

# Janus Henderson VIT Forty Portfolio

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## Janus Aspen Series

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the insurance company that offers your variable life insurance contract or variable annuity contract, may determine that it will no longer send you paper copies of the Portfolio's shareholder reports, unless you specifically request paper copies of the reports. Beginning on January 1, 2021, for shareholders who are not insurance contract holders, paper copies of the Portfolio's shareholder reports will no longer be sent by mail unless you specifically request paper copies of the reports. Instead, the reports will be made available on a website, and your insurance company or plan sponsor, broker-dealer, or financial intermediary will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company or plan sponsor, broker-dealer, or financial intermediary.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Portfolio electronically by contacting your insurance company or plan sponsor, broker-dealer, or other financial intermediary.

You may elect to receive all future reports in paper free of charge by contacting your insurance company or plan sponsor, broker dealer or other financial intermediary. Your election to receive reports in paper will apply to all funds held in your account with your insurance company or plan sponsor, broker dealer or other financial intermediary.

### 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, 2019, the Portfolio’s Institutional Shares and Service Shares returned 23.50% and 23.36%, respectively, versus a return of 21.49% for the Portfolio’s primary benchmark, the Russell 1000® Growth Index. The Portfolio’s secondary benchmark, the S&P 500® Index, returned 18.54% for the period.

## INVESTMENT ENVIROMENT

Stocks rebounded in the first quarter after the Federal Reserve indicated it would take a cautious approach to raising interest rates while inflation remained low. Increasing hopes that the U.S. and China were making progress toward a trade deal also supported stocks in the first quarter. In the second quarter stocks were volatile. Equities lost ground in May as setbacks in U.S.-China trade negotiations raised fears that trade tensions will further dent global economic growth. Economic data also pointed to a weakening global economy during the period. Stocks then rebounded in June, driven in part by expectations of more accommodative monetary policy from central banks.

## 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.

Mastercard was our largest contributor to performance. The company is beginning to demonstrate how its business model can address business-to-business payment solutions. A decision by many upstart fintech companies to use Mastercard and Visa’s payments networks – instead of competing against them – has also reinforced the durability of the two global card networks’ values, and helped drive the stock’s appreciation. Mastercard has been a longtime holding in our Portfolio, and a large contributor to the Portfolio’s performance over the years. Our basic view is that Mastercard’s payments network among merchants is a competitive moat that positions the business as a key beneficiary as more transactions migrate from cash and check to plastic and electronic payments. We believe 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.

Microsoft was another top contributor. The stock was up after the company announced better-than-expected quarterly earnings results and offered a bullish outlook for fiscal year 2020. We’ve been impressed by the revenue growth of Microsoft’s commercial cloud business, which is now growing 40% annually. Those figures speak to the growth potential for Microsoft as it and Amazon continue to lead the buildout of enterprise cloud infrastructure globally. As we note in our outlook, we believe companies are still in the early innings of this shift.

Harris Corp. also contributed meaningfully to Portfolio performance. Strong earnings for both Harris and L3

## Janus Henderson VIT Forty Portfolio (unaudited)

Technologies Inc., which Harris merged with at the end of the period, improved the outlook for the combined company and drove the stock higher. We continue to see upside for the newly-merged company. Harris is the market leader in communications systems, which it sells to the U.S. military and its allies, and its acquisition of L3 only strengthens its leadership position. We expect the combined entity to realize significant synergies from its merger.

While pleased with the results of most companies in the Portfolio, we still held stocks that weighed on Portfolio performance. Humana was our largest detractor. A recent proposal to expand Medicare and eliminate private medical insurance in the U.S. led to a broad, significant pullback among managed care stocks, including Humana. We are cautious on the health care landscape given the scrutiny of the industry by politicians in Washington and sold the position, choosing to invest in companies we believe will be less subjected to reform.

Allergan was another detractor. We've been disappointed by what we view as several executional missteps by management that have weighed on the stock, and sold out of the position during the period.

The stock of Charles Schwab Corp. also drifted lower during the period. An outlook of lower interest rates weighed on the stock, but we continue to like the company. We believe the company's strong brand, which is trusted among retail investors and registered investment advisers that use its services, is a strong competitive advantage for the company. We also believe its size and digital focus gives it a cost structure advantage, allowing the company to offer trading and other financial services at lower costs than most competitors. Going forward, we believe the trends of investment advisors seeking independence from the large wirehouses and households seeking lower cost investing services are long-term secular growth trends that will benefit Charles Schwab.

### OUTLOOK

We acknowledge there are a few macroeconomic risks on the horizon. Geopolitical uncertainty could be a source of volatility in the coming months. So, too, could political rhetoric as the U.S. election season draws near. Meanwhile, the global economy has slowed, and while the U.S. economy remains on firm footing, we acknowledge we are late in the economic cycle. Despite these issues, we believe equities are fairly valued, particularly relative to fixed income.

While aware of the macroeconomic risks, it is not our primary focus. Our unwavering, long-term investment philosophy is that the market underestimates the duration of growth for companies that have built sustainable competitive advantages around their business. Inherent in that philosophy is a constant focus on assessing the competitive advantages our companies hold. In times of economic dislocation, these companies can often improve their strength by investing to extend their competitive advantages as competitors pull back. This is something we'll keep an eye on in the coming months.

Going forward, we like how our Portfolio is positioned for the current market backdrop. We believe there is less economic sensitivity in our Portfolio than the broader index. 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. We've mentioned these themes in the past and while they are well known, they are still early in their development. We remain confident in our companies' ability to grow earnings as these themes progress, even in an environment of slow economic growth.

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

# Janus Henderson VIT Forty Portfolio (unaudited)

## Portfolio At A Glance

### June 30, 2019

#### 5 Top Performers - Holdings

	Contribution
Mastercard Inc	2.35%
Microsoft Corp	2.28%
Amazon.com Inc	1.32%
L3 Technologies Inc	0.94%
PayPal Holdings Inc	0.91%

#### 5 Bottom Performers - Holdings

	Contribution
Humana Inc	-0.41%
Allergan PLC	-0.27%
Charles Schwab Corp	-0.06%
ABIOMED Inc	-0.01%
Cognex Corp	0.00%

#### 5 Top Performers - Sectors\*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Industrials	1.09%	8.04%	11.81%
Health Care	0.66%	15.92%	13.19%
Information Technology	0.61%	32.92%	32.55%
Materials	0.46%	5.34%	1.82%
Consumer Staples	0.32%	0.00%	5.74%

#### 5 Bottom Performers - Sectors\*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Other**	-0.74%	2.74%	0.00%
Financials	-0.71%	7.98%	4.41%
Energy	0.08%	0.00%	0.75%
Consumer Discretionary	0.10%	10.55%	15.14%
Communication Services	0.16%	13.93%	12.25%

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, 2019

#### 5 Largest Equity Holdings - (% of Net Assets)

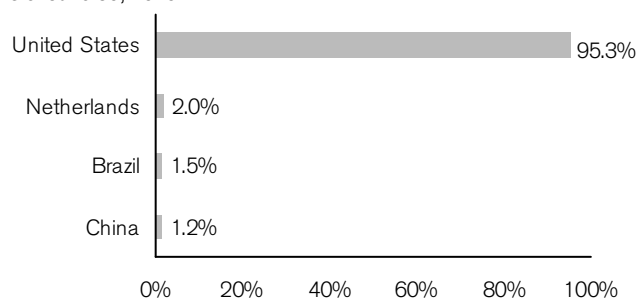
Microsoft Corp	
Software	7.8%
Mastercard Inc	
Information Technology Services	6.8%
Amazon.com Inc	
Internet & Direct Marketing Retail	4.7%
Walt Disney Co	
Entertainment	4.4%
Alphabet Inc - Class C	
Interactive Media & Services	4.3%
	28.0%

#### Asset Allocation - (% of Net Assets)

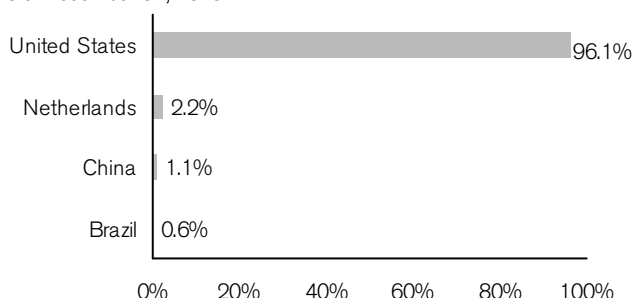
Common Stocks	96.5%
Investment Companies	4.5%
Other	(1.0)%
	100.0%

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

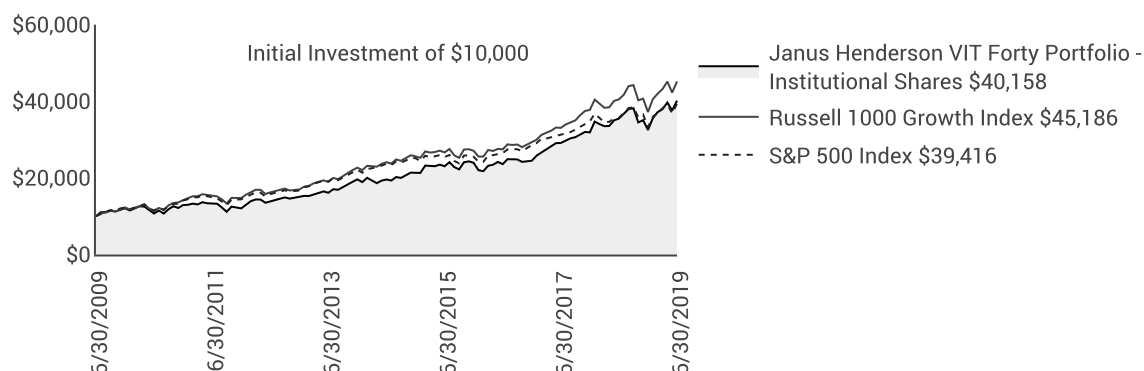
As of June 30, 2019



As of December 31, 2018



# Janus Henderson VIT Forty Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2019						Expense Ratios - per the April 30, 2019 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	23.50%	13.15%	15.45%	14.92%	11.78%	0.71%
Service Shares	23.36%	12.84%	15.16%	14.63%	11.47%	0.96%
Russell 1000 Growth Index	21.49%	11.56%	13.39%	16.28%	8.00%	
S&P 500 Index	18.54%	10.42%	10.71%	14.70%	8.08%	
Morningstar Quartile - Institutional Shares	-	1st	1st	2nd	1st	
Morningstar Ranking - based on total returns for Large Growth Funds	-	310/1,402	48/1,286	545/1,117	11/605	

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](http://janushenderson.com/VITperformance).

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

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

Returns do not reflect the deduction of fees, charges or expenses of any insurance product or qualified plan. If applied, returns would have been lower.

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](http://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 (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Beginning Account Value (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Net Annualized Expense Ratio (1/1/19 - 6/30/19)
Institutional Shares	\$1,000.00	\$1,235.00	\$4.16	\$1,000.00	\$1,021.08	\$3.76	0.75%
Service Shares	\$1,000.00	\$1,233.60	\$5.54	\$1,000.00	\$1,019.84	\$5.01	1.00%

<sup>†</sup> 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, 2019

	Shares	Value
Common Stocks – 96.5%		
Aerospace & Defense – 6.0%		
Boeing Co	68,133	\$24,801,093
Harris Corp*	135,993	25,720,356
		50,521,449
Capital Markets – 5.4%		
Charles Schwab Corp	363,897	14,625,021
Intercontinental Exchange Inc	334,285	28,728,453
Tradeweb Markets Inc	58,077	2,544,353
		45,897,827
Chemicals – 4.2%		
Air Products & Chemicals Inc	73,312	16,595,638
Sherwin-Williams Co	41,967	19,233,057
		35,828,695
Construction Materials – 1.6%		
Vulcan Materials Co	97,030	13,323,189
Electronic Equipment, Instruments & Components – 0.6%		
Cognex Corp	112,832	5,413,679
Entertainment – 8.4%		
Live Nation Entertainment Inc*	131,809	8,732,346
Netflix Inc*	66,820	24,544,322
Walt Disney Co	267,755	37,389,308
		70,665,976
Equity Real Estate Investment Trusts (REITs) – 2.7%		
American Tower Corp	112,448	22,989,994
Health Care Equipment & Supplies – 10.2%		
Abbott Laboratories	139,177	11,704,786
Boston Scientific Corp (144A)*	604,001	25,959,963
DanaHER Corp	91,286	13,046,595
Edwards Lifesciences Corp*	56,931	10,517,433
Intuitive Surgical Inc*	47,909	25,130,666
		86,359,443
Information Technology Services – 11.1%		
Mastercard Inc	218,544	57,811,444
Pagseguro Digital Ltd*	320,657	12,496,003
PayPal Holdings Inc*	201,892	23,108,558
		93,416,005
Interactive Media & Services – 6.1%		
Alphabet Inc - Class C*	33,630	36,351,003
Facebook Inc*	79,485	15,340,605
		51,691,608
Internet & Direct Marketing Retail – 5.9%		
Alibaba Group Holding Ltd (ADR)*	60,526	10,256,131
Amazon.com Inc*	20,956	39,682,910
		49,939,041
Pharmaceuticals – 4.0%		
Merck & Co Inc	201,874	16,927,135
Zoetis Inc	150,402	17,069,123
		33,996,258
Professional Services – 1.7%		
CoStar Group Inc*	25,585	14,175,625
Road & Rail – 1.4%		
Uber Technologies Inc*,#	253,936	11,777,552
Semiconductor & Semiconductor Equipment – 5.7%		
ASML Holding NV	84,173	17,502,092
NVIDIA Corp	26,497	4,351,602
Texas Instruments Inc	225,865	25,920,267
		47,773,961
Software – 15.3%		
Adobe Inc*	59,840	17,631,856

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, 2019

	Shares	Value
Common Stocks – (continued)		
Software – (continued)		
Intuit Inc	42,779	\$11,179,436
Microsoft Corp	489,782	65,611,197
salesforce.com Inc*	227,248	34,480,339
		128,902,828
Specialty Retail – 2.7%		
Home Depot Inc	108,946	22,657,500
Technology Hardware, Storage & Peripherals – 1.5%		
Apple Inc	65,088	12,882,217
Textiles, Apparel & Luxury Goods – 2.0%		
NIKE Inc	202,681	17,015,070
Total Common Stocks (cost \$492,335,576)		815,227,917
Investment Companies – 4.5%		
Investments Purchased with Cash Collateral from Securities Lending – 1.0%		
Janus Henderson Cash Collateral Fund LLC, 2.3576% <sup>Ⓜ,Ⓔ</sup>	8,533,079	8,533,079
Money Markets – 3.5%		
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>Ⓜ,Ⓔ</sup>	29,526,495	29,526,495
Total Investment Companies (cost \$38,059,738)		38,059,574
Total Investments (total cost \$530,395,314) – 101.0%		853,287,491
Liabilities, net of Cash, Receivables and Other Assets – (1.0)%		(8,738,065)
Net Assets – 100%		\$844,549,426

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

Country	Value	% of Investment Securities
United States	\$813,033,265	95.3 %
Netherlands	17,502,092	2.0
Brazil	12,496,003	1.5
China	10,256,131	1.2
Total	\$853,287,491	100.0 %

#### Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income	Realized Gain/(Loss)	Change in Unrealized Appreciation/Depreciation	Value at 6/30/19
Investment Companies - 4.5%				
Investments Purchased with Cash Collateral from Securities Lending - 1.0%				
Janus Henderson Cash Collateral Fund LLC, 2.3576% <sup>Ⓜ</sup>	\$ 1,480 <sup>Δ</sup>	\$ -	\$ -	\$ 8,533,079
Money Markets - 3.5%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>Ⓜ</sup>	258,498	30	(164)	29,526,495
Total Affiliated Investments - 4.5%	\$ 259,978	\$ 30	\$ (164)	\$ 38,059,574

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, 2019

	Share Balance at 12/31/18	Purchases	Sales	Share Balance at 6/30/19
Investment Companies - 4.5%				
Investments Purchased with Cash Collateral from Securities Lending - 1.0%				
Janus Henderson Cash Collateral Fund LLC, 2.3576%	-	35,203,796	(26,670,717)	8,533,079
Money Markets - 3.5%				
Janus Henderson Cash Liquidity LLC, 2.5007%	25,348,887	105,542,358	(101,364,750)	29,526,495

#### Schedule of Total Return Swaps

Counterparty/ Return Paid by the Portfolio	Return Received by the Portfolio	Payment Frequency	Termination Date	Notional Amount	Value and Unrealized Appreciation/ (Depreciation)
Goldman Sachs International: ICE LIBOR USD Plus 75 basis points	Blackstone Group L.P.	Monthly	5/26/20	22,414,940 USD \$	10,097

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, 2019.

#### Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2019

	Equity Contracts
Asset Derivatives:	
Outstanding swap contracts, at value	\$ 10,097

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, 2019.

#### The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the period ended June 30, 2019

	Amount of Realized Gain/(Loss) Recognized on Derivatives
Derivative	Equity Contracts
Swap contracts	\$1,823,853

	Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives
Derivative	Equity Contracts
Swap contracts	\$ 10,097

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, 2019

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, 2019

	<i>Market Value</i>
Total return swaps, long	\$ (203,141)

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 <sup>®</sup> Growth Index	Russell 1000 <sup>®</sup> 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 <sup>®</sup> Index	S&P 500 <sup>®</sup> Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
ADR	American Depositary Receipt
ICE	Intercontinental Exchange
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited 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, 2019 is \$25,959,963, which represents 3.1% of net assets.

\* Non-income producing security.

°° Rate shown is the 7-day yield as of June 30, 2019.

# Loaned security; a portion of the security is on loan at June 30, 2019.

£ 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, 2019. See Notes to Financial Statements for more information.

### Valuation Inputs Summary

	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
<b>Assets</b>			
<b>Investments In Securities:</b>			
Common Stocks	\$ 815,227,917	\$ -	\$ -
Investment Companies	-	38,059,574	-
Total Investments in Securities	\$ 815,227,917	\$ 38,059,574	\$ -
<b>Other Financial Instruments<sup>(a)</sup>:</b>			
Outstanding Swap Contracts, at Value	-	10,097	-
<b>Total Assets</b>	<b>\$ 815,227,917</b>	<b>\$ 38,069,671</b>	<b>\$ -</b>

# Janus Henderson VIT Forty Portfolio

## Statement of Assets and Liabilities (unaudited)

### June 30, 2019

Assets:		
Unaffiliated investments, at value <sup>(1)(2)</sup>	\$	815,227,917
Affiliated investments, at value <sup>(3)</sup>		38,059,574
Cash		1,159
Outstanding swap contracts, at value		10,097
Non-interested Trustees' deferred compensation		21,371
Receivables:		
Investments sold		4,458,742
Dividends		353,430
Dividends from affiliates		55,383
Portfolio shares sold		47,737
Foreign tax reclaims		25,492
Other assets		3,204
<b>Total Assets</b>		<b>858,264,106</b>
Liabilities:		
Collateral for securities loaned (Note 3)		8,533,079
Payables:		
Investments purchased		3,939,175
Portfolio shares repurchased		460,778
Advisory fees		444,472
12b-1 Distribution and shareholder servicing fees		101,884
Dividends and interest on swap contracts		50,773
Transfer agent fees and expenses		35,292
Non-interested Trustees' deferred compensation fees		21,371
Professional fees		14,742
Non-interested Trustees' fees and expenses		5,356
Affiliated portfolio administration fees payable		1,714
Custodian fees		1,561
Accrued expenses and other payables		104,483
<b>Total Liabilities</b>		<b>13,714,680</b>
<b>Net Assets</b>	<b>\$</b>	<b>844,549,426</b>
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	505,866,078
Total distributable earnings (loss)		338,683,348
<b>Total Net Assets</b>	<b>\$</b>	<b>844,549,426</b>
<b>Net Assets - Institutional Shares</b>	<b>\$</b>	<b>341,052,488</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		8,529,419
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>39.99</b>
<b>Net Assets - Service Shares</b>	<b>\$</b>	<b>503,496,938</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		13,448,924
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>37.44</b>

(1) Includes cost of \$492,335,576.

(2) Includes \$8,326,440 of securities on loan. See Note 3 in Notes to Financial Statements.

(3) Includes cost of \$38,059,738.

See Notes to Financial Statements.

# Janus Henderson VIT Forty Portfolio

## Statement of Operations (unaudited)

### For the period ended June 30, 2019

Investment Income:		
Dividends	\$	3,844,589
Dividends from affiliates		258,498
Affiliated securities lending income, net		1,480
Foreign tax withheld		(22,430)
<b>Total Investment Income</b>		<b>4,082,137</b>
Expenses:		
Advisory fees		2,670,834
12b-1 Distribution and shareholder servicing fees:		
Service Shares		597,433
Transfer agent administrative fees and expenses:		
Institutional Shares		80,725
Service Shares		119,487
Other transfer agent fees and expenses:		
Institutional Shares		3,900
Service Shares		3,322
Professional fees		24,268
Shareholder reports expense		23,204
Registration fees		11,740
Non-interested Trustees' fees and expenses		9,884
Affiliated portfolio administration fees		8,784
Custodian fees		5,523
Other expenses		44,028
<b>Total Expenses</b>		<b>3,603,132</b>
<b>Net Investment Income/(Loss)</b>		<b>479,005</b>
Net Realized Gain/(Loss) on Investments:		
Investments		13,675,826
Investments in affiliates		30
Swap contracts		1,823,853
<b>Total Net Realized Gain/(Loss) on Investments</b>		<b>15,499,709</b>
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		149,953,761
Investments in affiliates		(164)
Swap contracts		10,097
<b>Total Change in Unrealized Net Appreciation/Depreciation</b>		<b>149,963,694</b>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>\$</b>	<b>165,942,408</b>

See Notes to Financial Statements.

# Janus Henderson VIT Forty Portfolio

## Statements of Changes in Net Assets

	<i>Period ended</i> <i>June 30, 2019</i> <i>(unaudited)</i>		<i>Year ended</i> <i>December 31, 2018</i>
Operations:			
Net investment income/(loss)	\$	479,005	\$ 131,716
Net realized gain/(loss) on investments		15,499,709	69,559,947
Change in unrealized net appreciation/depreciation		149,963,694	(50,240,415)
Net Increase/(Decrease) in Net Assets Resulting from Operations		165,942,408	19,451,248
Dividends and Distributions to Shareholders			
Institutional Shares		(27,484,409)	(44,744,555)
Service Shares		(42,122,223)	(70,046,355)
Net Decrease from Dividends and Distributions to Shareholders		(69,606,632)	(114,790,910)
Capital Share Transactions:			
Institutional Shares		9,349,138	19,835,832
Service Shares		19,411,407	18,730,103
Net Increase/(Decrease) from Capital Share Transactions		28,760,545	38,565,935
Net Increase/(Decrease) in Net Assets		125,096,321	(56,773,727)
Net Assets:			
Beginning of period		719,453,105	776,226,832
End of period	\$	844,549,426	\$ 719,453,105

See Notes to Financial Statements.



# Janus Henderson VIT Forty Portfolio

## Financial Highlights

### Institutional Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$35.20	\$39.76	\$32.19	\$36.37	\$40.27	\$53.34
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.05	0.07	0.02	0.05	0.03	0.03
Net realized and unrealized gain/(loss)	8.17	1.31	9.58	0.58	4.77	3.08
Total from Investment Operations	8.22	1.38	9.60	0.63	4.80	3.11
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.03)	—	—	—	—	(0.09)
Distributions (from capital gains)	(3.40)	(5.94)	(2.03)	(4.81)	(8.70)	(16.09)
Total Dividends and Distributions	(3.43)	(5.94)	(2.03)	(4.81)	(8.70)	(16.18)
Net Asset Value, End of Period	\$39.99	\$35.20	\$39.76	\$32.19	\$36.37	\$40.27
Total Return*	23.50%	1.98%	30.31%	2.20%	12.22%	8.73%
Net Assets, End of Period (in thousands)	\$341,052	\$292,132	\$309,258	\$257,009	\$295,725	\$299,546
Average Net Assets for the Period (in thousands)	\$327,174	\$327,962	\$297,125	\$273,374	\$298,904	\$307,359
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.75%	0.71%	0.82%	0.72%	0.69%	0.57%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.75%	0.71%	0.82%	0.72%	0.69%	0.57%
Ratio of Net Investment Income/(Loss)	0.27%	0.17%	0.05%	0.15%	0.08%	0.07%
Portfolio Turnover Rate	18%	41%	39%	53%	55%	46%

### Service Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$33.15	\$37.84	\$30.79	\$35.08	\$39.21	\$52.40
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	— <sup>(2)</sup>	(0.03)	(0.07)	(0.03)	(0.06)	(0.07)
Net realized and unrealized gain/(loss)	7.69	1.28	9.15	0.55	4.63	2.99
Total from Investment Operations	7.69	1.25	9.08	0.52	4.57	2.92
Less Dividends and Distributions:						
Dividends (from net investment income)	— <sup>(2)</sup>	—	—	—	—	(0.02)
Distributions (from capital gains)	(3.40)	(5.94)	(2.03)	(4.81)	(8.70)	(16.09)
Total Dividends and Distributions	(3.40)	(5.94)	(2.03)	(4.81)	(8.70)	(16.11)
Net Asset Value, End of Period	\$37.44	\$33.15	\$37.84	\$30.79	\$35.08	\$39.21
Total Return*	23.36%	1.72%	29.99%	1.94%	11.94%	8.47%
Net Assets, End of Period (in thousands)	\$503,497	\$427,321	\$466,969	\$430,510	\$501,003	\$492,253
Average Net Assets for the Period (in thousands)	\$484,244	\$487,559	\$457,168	\$464,943	\$501,868	\$493,575
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	1.00%	0.96%	1.06%	0.97%	0.94%	0.82%
Ratio of Net Expenses (After Waivers and Expense Offsets)	1.00%	0.96%	1.06%	0.97%	0.94%	0.82%
Ratio of Net Investment Income/(Loss)	0.02%	(0.08)%	(0.19)%	(0.09)%	(0.17)%	(0.17)%
Portfolio Turnover Rate	18%	41%	39%	53%	55%	46%

\* Total return includes adjustments in accordance with generally accepted accounting principles required at the year or period end and are not annualized for periods of less than one full year. Total return 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, 2019 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.

### 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 daily on the accrual basis and includes amortization of premiums and accretion of discounts. The Portfolio classifies gains and losses on prepayments received as an adjustment to interest income. Debt securities may be placed in non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivables when collection of all or a portion of interest has become doubtful. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes.

### 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.

### 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 Portfolio'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, 2019 is discussed in further detail below. A summary of derivative activity by the Portfolio 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

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

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 or 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 Portfolio 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 Portfolio 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 Portfolio's commitment with respect to certain exchange-traded derivatives, centrally cleared derivatives, forward foreign currency exchange contracts, short sales, and/or securities with extended settlement dates. There is no guarantee that counterparty exposure is reduced

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

and these arrangements are dependent on Janus Capital Management LLC's ("Janus Capital") ability to establish and maintain appropriate systems and trading.

### Swaps

Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a day to more than one year to exchange one set of cash flows for another. The most significant factor in the performance of swap agreements is the change in value of the specific index, security, or currency, or other factors that determine the amounts of payments due to and from the Portfolio. The use of swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. Swap transactions may in some instances involve the delivery of securities or other underlying assets by the Portfolio or its counterparty to collateralize obligations under the swap. If the other party to a swap that is not collateralized defaults, the Portfolio would risk the loss of the net amount of the payments that it contractually is entitled to receive. Swap agreements entail the risk that a party will default on its payment obligations to the Portfolio. If the other party to a swap defaults, the Portfolio would risk the loss of the net amount of the payments that it contractually is entitled to receive. If the Portfolio utilizes a swap at the wrong time or judges market conditions incorrectly, the swap may result in a loss to the Portfolio and reduce the Portfolio's total return.

Swap agreements also bear the risk that the Portfolio will not be able to meet its obligation to the counterparty. Swap agreements are typically privately negotiated and entered into in the OTC market. However, certain swap agreements are required to be cleared through a clearinghouse and traded on an exchange or swap execution facility. Swaps that are required to be cleared are required to post initial and variation margins in accordance with the exchange requirements. Regulations enacted require the Portfolio to centrally clear certain interest rate and credit default index swaps through a clearinghouse or central counterparty ("CCP"). To clear a swap with a CCP, the Portfolio will submit the swap to, and post collateral with, a futures clearing merchant ("FCM") that is a clearinghouse member. Alternatively, the Portfolio may enter into a swap with a financial institution other than the FCM (the "Executing Dealer") and arrange for the swap to be transferred to the FCM for clearing. The Portfolio may also enter into a swap with the FCM itself. The CCP, the FCM, and the Executing Dealer are all subject to regulatory oversight by the U.S. Commodity Futures Trading Commission ("CFTC"). A default or failure by a CCP or an FCM, or the failure of a swap to be transferred from an Executing Dealer to the FCM for clearing, may expose the Portfolio to losses, increase its costs, or prevent the Portfolio from entering or exiting swap positions, accessing collateral, or fully implementing its investment strategies. The regulatory requirement to clear certain swaps could, either temporarily or permanently, reduce the liquidity of cleared swaps or increase the costs of entering into those swaps.

Index swaps, interest rate swaps, and credit default swaps are valued using an approved vendor supplied price. Basket swaps are valued using a broker supplied price. Equity swaps that consist of a single underlying equity are valued either at the closing price, the latest bid price, or the last sale price on the primary market or exchange it trades. The market value of swap contracts are aggregated by positive and negative values and are disclosed separately as an asset or liability on the Portfolio's Statement of Assets and Liabilities (if applicable). Realized gains and losses are reported on the Portfolio's Statement of Operations (if applicable). The change in unrealized net appreciation or depreciation during the period is included in the Statement of Operations (if applicable).

The Portfolio's maximum risk of loss from counterparty risk or credit risk is the discounted value of the payments to be received from/paid to the counterparty over the contract's remaining life, to the extent that the amount is positive. The risk is mitigated by having a netting arrangement between the Portfolio and the counterparty and by the posting of collateral by the counterparty to cover the Portfolio's exposure to the counterparty.

Total return swaps involve an exchange by two parties in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains over the payment period. A fixed-income total return swap may be written on many different kinds of underlying reference assets, and may include different indices for various kinds of debt securities (e.g., U.S. investment grade bonds, high-yield bonds, or emerging market bonds).

During the period, the Portfolio entered into total return swaps on equity indices to increase exposure to equity risk. These total return swaps require the Portfolio to pay a floating reference interest rate, and an amount equal to the negative price movement of securities or an index multiplied by the notional amount of the contract. The Portfolio will receive payments equal to the positive price movement of the same securities or index multiplied by the notional amount of the contract and, in some cases, dividends paid on the securities.

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

### 3. Other Investments and Strategies

#### Additional Investment Risk

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

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") of 2010 provided for widespread regulation of financial institutions, consumer financial products and services, broker-dealers, OTC derivatives, investment advisers, credit rating agencies, and mortgage lending, which expanded federal oversight in the financial sector, including the investment management industry. Many provisions of the Dodd-Frank Act remain pending and will be implemented through future rulemaking. Therefore, the ultimate impact of the Dodd-Frank Act and the regulations under the Dodd-Frank Act on the Portfolio and the investment management industry as a whole, is not yet certain.

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

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

#### Counterparties

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

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

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.

The following table presents gross amounts of recognized assets and/or liabilities and the net amounts after deducting collateral that has been pledged by counterparties or has been pledged to counterparties (if applicable). For corresponding information grouped by type of instrument, see the "Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of June 30, 2019" table located in the Portfolio's Schedule of Investments.

### Offsetting of Financial Assets and Derivative Assets

Counterparty		Gross Amounts of Recognized Assets		Offsetting Asset or Liability <sup>(a)</sup>		Collateral Pledged <sup>(b)</sup>		Net Amount
Deutsche Bank AG	\$	8,326,440	\$	—	\$	(8,326,440)	\$	—
Goldman Sachs International		10,097		—		—		10,097
Total	\$	8,336,537	\$	—	\$	(8,326,440)	\$	10,097

(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. For financial reporting purposes, the Portfolio does not offset financial instruments' payables and receivables and related collateral on the Statement of Assets and Liabilities. 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. See "Securities Lending" in the notes to financial statements for additional information.



# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

The Portfolio may require the counterparty to pledge securities as collateral daily (based on the daily valuation of the financial asset) if the Portfolio has a net aggregate unrealized gain on OTC derivative contracts with a particular counterparty. The Portfolio may deposit cash as collateral with the counterparty and/or custodian daily (based on the daily valuation of the financial asset) if the Portfolio has a net aggregate unrealized loss on OTC derivative contracts with a particular counterparty. The collateral amounts are subject to minimum exposure requirements and initial margin requirements. Collateral amounts are monitored and subsequently adjusted up or down as valuations fluctuate by at least the minimum exposure requirement. Collateral may reduce the risk of loss.

### 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.

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, 2019, securities lending transactions accounted for as secured borrowings with an overnight and

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

continuous contractual maturity are \$8,326,440. Gross amounts of recognized liabilities for securities lending (collateral received) as of June 30, 2019 is \$8,533,079, resulting in the net amount due to the counterparty of \$206,639.

### 4. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital Management LLC ("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<sup>®</sup> 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 investment performance of a Portfolio's Service Shares for the performance measurement period is used to calculate the Performance Adjustment. No Performance Adjustment is applied unless the difference between the Portfolio's investment performance and the cumulative investment record of the Portfolio's benchmark index is 0.50% or greater (positive or negative) during the applicable performance measurement period.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the period ended June 30, 2019, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.67%.

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

## Janus Henderson VIT Forty Portfolio

### Notes to Financial Statements (unaudited)

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 is obligated to provide or arrange for the provision of certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio, 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 \$19,642 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2019. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2019 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, 2019 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 \$231,325 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2019.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or non-affiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or non-affiliated money market funds or cash management pooled investment vehicles that operate as money market funds. 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 (the "Sweep Vehicle") is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. The Sweep Vehicle operates as an "institutional" money market fund and prices its shares at NAV reflecting market-based values of its portfolio securities (i.e., a "floating" NAV) rounded to the fourth decimal place (e.g., \$1.0000). The Sweep Vehicle is permitted to impose a liquidity fee (of up to 2%) on redemptions from the Sweep Vehicle or a redemption gate that temporarily suspends redemptions from the Sweep Vehicle for up to 10 business days during a 90 day period. There are no restrictions on the Portfolio's ability to withdraw investments from the Sweep Vehicle at will, and there are no unfunded capital commitments due from the Portfolio to the Sweep Vehicle. The units of the Sweep Vehicle 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, 2019 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"),

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

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, 2019, the Portfolio engaged in cross trades amounting to \$2,096,751 in purchases.

### 5. Federal Income Tax

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

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

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of June 30, 2019 are noted below. The primary difference 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>
\$ 530,397,469	\$325,200,201	\$ (2,310,179)	\$ 322,890,022

Information on the tax components of derivatives as of June 30, 2019 is as follows:

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ -	\$ 10,097	\$ -	\$ 10,097

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, 2019</i>		<i>Year ended December 31, 2018</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	586,146	\$23,816,453	809,869	\$33,052,337
Reinvested dividends and distributions	697,751	27,484,409	1,145,241	44,744,555
Shares repurchased	(1,053,820)	(41,951,724)	(1,434,162)	(57,961,060)
Net Increase/(Decrease)	230,077	\$ 9,349,138	520,948	\$19,835,832
Service Shares:				
Shares sold	509,584	\$18,832,594	1,082,691	\$41,434,913
Reinvested dividends and distributions	1,141,833	42,122,223	1,900,851	70,046,355
Shares repurchased	(1,091,983)	(41,543,410)	(2,434,969)	(92,751,165)
Net Increase/(Decrease)	559,434	\$19,411,407	548,573	\$18,730,103

# Janus Henderson VIT Forty Portfolio

## Notes to Financial Statements (unaudited)

### 7. Purchases and Sales of Investment Securities

For the period ended June 30, 2019, 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>
\$140,709,081	\$ 185,126,544	\$ -	\$ -

### 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 portfolios with fiscal years ending after December 15, 2018. Management is currently evaluating the impacts of ASU 2017-08 on the Portfolio's financial statements.

The FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820)*, in August 2018. The new guidance removes, modifies and enhances the disclosures to Topic 820. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity is permitted, and Management has decided, to early adopt the removed and modified disclosures in these financial statements.

### 9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2019 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.

# Janus Henderson VIT Forty Portfolio

## Additional Information (unaudited)

### Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at [janushenderson.com/proxyvoting](http://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](http://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](http://janushenderson.com/vit).

### APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Portfolio of Janus Aspen Series (each, a "VIT Portfolio," and collectively, the "VIT Portfolios"), as well as each Fund of Janus Investment Fund (together with the VIT Portfolios, the "Janus Henderson Funds," and each, a "Janus Henderson Fund"). As required by law, the Trustees determine annually whether to continue the investment advisory agreement for each Janus Henderson Fund and the subadvisory agreement for each Janus Henderson Funds that utilizes a subadviser.

In connection with their most recent consideration of those agreements for each Janus Henderson Fund, the Trustees received and reviewed information provided by Janus Capital and each subadviser 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 the information provided, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 6, 2018, 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 Janus Henderson 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 Janus Henderson Fund, and the subadvisory agreement for each subadvised Janus Henderson Fund, for the period from February 1, 2019 through February 1, 2020, 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, refer to actual annual advisory fees (and, for the purposes of peer comparisons any administration fees excluding out of pocket costs), net of any waivers, paid by a fund as a percentage of average net assets.

### *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 Janus Henderson Funds, taking into account the investment objective, strategies and policies of each Janus Henderson Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a

## Janus Henderson VIT Forty Portfolio

### Additional Information (unaudited)

quarterly basis and their ongoing review of information related to the Janus Henderson 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 Janus Henderson Funds. The Trustees also considered other services provided to the Janus Henderson 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 Janus Henderson 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 Janus Henderson Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with fund shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Janus Henderson 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 Janus Henderson Funds and fund shareholders, ranging from investment management services to various other servicing functions, and that, in its view, Janus Capital is a capable provider of those services. The independent fee consultant also expressed the view 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 and the subadviser to each Janus Henderson Fund that utilizes a subadviser were appropriate and consistent with the terms of the respective investment advisory and subadvisory agreements, and that, taking into account steps taken to address those Janus Henderson Funds whose performance lagged that of their peers for certain periods, the Janus Henderson 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 Janus Henderson Funds effectively and had demonstrated its ability to attract well-qualified personnel.

#### ***Performance of the Funds***

The Trustees considered the performance results of each Janus Henderson Fund over various time periods. They noted that they considered Janus Henderson Fund performance data throughout the year, including periodic meetings with each Janus Henderson Fund's portfolio manager(s), and also reviewed information comparing each Janus Henderson 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 Janus Henderson Fund's benchmark index. In this regard, the independent fee consultant found that the overall Janus Henderson Funds' performance has been reasonable: for the 36 months ended September 30, 2018, approximately 48% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2018, approximately 56% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar.

The Trustees considered the performance of each Janus Henderson Fund, noting that performance may vary by share class, and noted the following with respect to the VIT Portfolios:

- 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, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018.

## Janus Henderson VIT Forty Portfolio

### Additional Information (unaudited)

2018. 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 Research Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 first Broadridge quartile for the 36 months ended May 31, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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.

In consideration of each Janus Henderson 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 Janus Henderson Fund's performance warranted continuation of such Janus Henderson Fund's investment advisory and subadvisory agreement(s).

#### ***Costs of Services Provided***

The Trustees examined information regarding the fees and expenses of each Janus Henderson 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 management fee rate (investment advisory and any administration fees, but excluding out-of-pocket costs) for many of the Janus Henderson Funds, net of waivers, was below the average management fee rate of the respective peer group of funds selected by Broadridge. 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 Janus Henderson Fund. The Trustees also considered the total expenses for each share class of each Janus Henderson 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 expressed the view that the management fees charged by Janus Capital to each of the Janus Henderson Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. At the fund complex level, the independent fee consultant found: (1)



## Janus Henderson VIT Forty Portfolio

### Additional Information (unaudited)

the total expenses and management fees of the Janus Henderson Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% under the average total expenses for the respective Broadridge Expense Group peers and 19% under the average total expenses for the respective Broadridge Expense Universes; (3) management fees for the Janus Henderson Funds, on average, were 8% under the average management fees for the respective Expense Groups and 10% under the average for the respective Expense Universes; and (4) Janus Henderson Fund expenses by function for each asset and share class category were reasonable relative to peer benchmarks.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual share class level, Janus Henderson Fund expenses were found to be reasonable relative to peer benchmarks. Further, for certain Janus Henderson Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to investors in each Janus Henderson Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Janus Henderson Funds were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such “focus list” 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 comparable subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Janus Henderson Funds having a similar strategy, while subadviser fee rates charged to the Janus Henderson Funds were generally within a reasonable range of the fee rates that the subadviser charges to comparable separate account clients or non-affiliated funds. The Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Janus Henderson Funds, Janus Capital performs significant additional services for the Janus Henderson Funds that it does not provide to those other clients, including administration services, oversight of the Janus Henderson Funds’ other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Janus Henderson Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, the Trustees noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Janus Henderson 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 Henderson mutual fund investors enjoy reasonable fees relative to the fees charged to Janus Henderson institutional and subadvised fund investors; (4) in three of five product categories, the Janus Henderson Funds receive proportionally better pricing than the industry in relation to Janus Henderson institutional clients; and (5) in six of seven strategies, Janus Capital has lower management fees than the management fees charged to funds subadvised by Janus Capital.

The Trustees considered the fees for each Janus Henderson Fund for its fiscal year ended in 2017, including the VIT Portfolios, and noted the following with regard to each VIT Portfolio's total expenses, net of applicable fee waivers (the VIT Portfolio's “total expenses”):

- 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.

## Janus Henderson VIT Forty Portfolio

### Additional Information (unaudited)

- 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 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 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 Janus Henderson Funds, and considered profitability data of other publicly traded fund managers. 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, differences in complex size, differences in product mix, differences in types of business (mutual fund, institutional and other), differences in the methodology for allocating expenses, and the fund manager's capital structure and cost of capital.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provides to each Janus Henderson Fund. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Janus Henderson Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Janus Henderson 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 Janus Henderson Fund was reasonable. The Trustees also considered that the estimated profitability for an individual Janus Henderson 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 Janus Henderson 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 Janus Henderson Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Janus Henderson Funds was not a material factor in the Board's approval of the reasonableness of any Janus Henderson Fund's investment management fees.

The Trustees concluded that the management fees payable by each Janus Henderson Fund to Janus Capital, as well as the fees paid by Janus Capital to the subadvisers of subadvised Janus Henderson 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 Janus Henderson Funds. The Trustees also concluded that each Janus Henderson Fund's total expenses were reasonable, taking into account the size of the Janus Henderson Fund, the quality of services provided by Janus Capital and any subadviser, the investment performance of the Janus Henderson 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 Janus Henderson Funds increase. They noted the independent fee consultant's analysis of economies of scale

## **Janus Henderson VIT Forty Portfolio**

### **Additional Information (unaudited)**

in prior years. They also noted that, although many Janus Henderson Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, the independent fee consultant concluded that 74% of these Janus Henderson Funds' share classes have contractual management fees (gross of waivers) below their Broadridge Expense Group averages. They also noted that for those Janus Henderson Funds whose expenses are being reduced by contractual expense limitations with Janus Capital, Janus Capital is subsidizing certain of these Janus Henderson Funds because they have not reached adequate scale. Moreover, as the assets of some of the Janus Henderson Funds have declined in the past few years, certain Janus Henderson 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 Janus Henderson Funds that have caused the effective rate of advisory fees payable by such a Janus Henderson Fund to vary depending on the investment performance of the Janus Henderson Fund relative to its benchmark index over the measurement period; and a few Janus Henderson Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Janus Henderson 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 Janus Henderson Funds.

The Trustees also considered information provided by the independent fee consultant, which 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 Henderson complex. The independent consultant further 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 Janus Henderson Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Janus Henderson Funds, Janus Capital appeared to be investing to increase the likelihood that these Janus Henderson Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant expressed the view that Janus Henderson Fund investors are well-served by the performance fee structures in place on the Janus Henderson Funds in light of any economies of scale that may be present at Janus Capital.

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 Janus Henderson Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Janus Henderson Fund of any economies of scale that may be present at the current asset level of the Janus Henderson Fund.

#### ***Other Benefits to Janus Capital***

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Janus Henderson Funds from their relationships with the Janus Henderson Funds. They recognized that two affiliates of Janus Capital separately serve the Janus Henderson Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided, and that such compensation contributes to the overall profitability of Janus Capital and its affiliates that results from their relationship with the Janus Henderson Funds. The Trustees also considered Janus Capital's and each subadviser's past and proposed use of commissions paid by the Janus Henderson Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Janus Henderson Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Janus Henderson 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 likely to benefit each Janus Henderson 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 Janus Henderson Fund therefor, the Janus Henderson 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 its affiliates 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 the Janus Henderson Funds and other clients serviced by Janus Capital and its affiliates. They also 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 Janus Henderson Funds and that the Janus Henderson 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 certain other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Janus Henderson Fund could attract other business to Janus Capital, the subadvisers or other Janus Henderson funds,

## **Janus Henderson VIT Forty Portfolio**

### **Additional Information (unaudited)**

and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Janus Henderson 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, 2019. 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**



## **Janus Henderson VIT Forty Portfolio Notes**

## **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](http://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 Distributors

# Janus Henderson VIT Global Research Portfolio

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## Janus Aspen Series

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the insurance company that offers your variable life insurance contract or variable annuity contract, may determine that it will no longer send you paper copies of the Portfolio's shareholder reports, unless you specifically request paper copies of the reports. Beginning on January 1, 2021, for shareholders who are not insurance contract holders, paper copies of the Portfolio's shareholder reports will no longer be sent by mail unless you specifically request paper copies of the reports. Instead, the reports will be made available on a website, and your insurance company or plan sponsor, broker-dealer, or financial intermediary will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company or plan sponsor, broker-dealer, or financial intermediary.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Portfolio electronically by contacting your insurance company or plan sponsor, broker-dealer, or other financial intermediary.

You may elect to receive all future reports in paper free of charge by contacting your insurance company or plan sponsor, broker dealer or other financial intermediary. Your election to receive reports in paper will apply to all funds held in your account with your insurance company or plan sponsor, broker dealer or other financial intermediary.

### 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 18.29% and 18.15%, respectively, over the six-month period ended June 30, 2019, while its primary benchmark, the MSCI World Index<sup>®</sup>, and its secondary benchmark, the MSCI All Country World Index<sup>SM</sup>, returned 16.98% and 16.23%, respectively.

## MARKET ENVIRONMENT

Stocks rebounded in the first quarter after the Federal Reserve indicated it would take a cautious approach to raising interest rates while inflation remained low. Increasing hopes that the U.S. and China were making progress toward a trade deal also supported stocks in the first quarter. In the second quarter stocks were volatile. Equities lost ground in May as setbacks in U.S.-China trade negotiations raised fears that trade tensions will further dent global economic growth. Economic data also pointed to a weakening global economy during the period. Stocks then rebounded in June, driven in part by expectations of more accommodative monetary policy from central banks.

## 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 industrial sectors were large contributors to relative performance. Stock selection in the energy and technology sectors detracted from relative results.

Within the financial sector, Mastercard was a large contributor. The company has continued to demonstrate how its business model can address business-to-business

payment solutions. A decision by many upstart fintech companies to use Mastercard and Visa's payments networks – instead of competing against them – has also reinforced the durability of the two global card networks' values, and helped drive the stock's appreciation. Mastercard has been a longtime holding in our Portfolio, and a large contributor to Portfolio performance over the years. Our basic view is that Mastercard's payments network among merchants, card issuers and card holders is a competitive moat that positions the business as a key beneficiary as more transactions migrate from cash and check to plastic and electronic payments. We believe 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.

We also had meaningful contributions from stocks outside the financial sector. Amazon was one of our largest contributors to Portfolio performance. Profitable segments such as Amazon Web Services and its advertising business continued to see strong growth, which helped drive the stock higher during the period. We continue to like Amazon, a longtime holding in the Portfolio, for the same reasons we've discussed in previous commentaries. The company's scale and distribution advantage have entrenched it as a dominant e-commerce platform, which should allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, we believe 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.

Microsoft was another large contributor. The stock was up after the company announced better-than-expected quarterly earnings results and offered a bullish outlook for fiscal year 2020. We've been impressed by the revenue growth of Microsoft's commercial cloud business, which is

## Janus Henderson VIT Global Research Portfolio (unaudited)

now growing 40% annually. Those figures speak to the growth potential for Microsoft as it and Amazon – another top contributor during the period – continue to lead the buildout of enterprise cloud infrastructure globally. We believe companies are still in the early innings of this shift.

While pleased to outperform the benchmark this period, we still held some stocks that produced disappointing results. Two health care stocks, AbbVie and Bristol-Myers Squibb, were among our largest detractors. AbbVie's stock declined after the company announced it would purchase Allergan at a significant premium. We believe the deal makes strategic sense, as Allergan's medical aesthetics franchise and Vraylar are good assets and that Allergan's women's health business will combine nicely with AbbVie's Orilissa. However, we believe the primary reason for the stock's negative reaction was concern that AbbVie is making the acquisition because of worries about the pace of biosimilar erosion for Humira, AbbVie's lead drug, which is expected to face additional competitors in 2023.

Isuzu Motors also detracted. The stock was down after the company gave conservative guidance for the March 2020 year. Essentially, Isuzu had recognized many of the costs up front for a new engine model development cycle this year, before the revenues arrive. The market took a dim view of this and sold the stock down. We take a longer view, and think that Isuzu is doing the right things in Southeast Asia and now entering the Indian market. We believe the market continues to value Isuzu as an auto assembler, not a truck manufacturer. Truck makers typically receive higher multiples due to the recurring revenue streams associated with their aftermarket businesses. However, we believe the market will come to appreciate Isuzu's truck business over time as the company grows its aftermarket support network.

NRG Energy was another detractor. The stock of the utility company was down as power prices declined in its markets in anticipation of reduced electricity demand as a result of cooler, rainier weather. We continue to like the stock, however, and believe the market fails to appreciate that the company has been shifting its business mix toward a balance between power production and distribution. The distribution business should benefit from lower electricity prices, potentially offsetting some of the losses for the power generation business when energy prices fall.

### OUTLOOK

After a brief reprieve, volatility has returned to equity markets as trade tensions escalate. But trade is only one part of the geopolitical story. In the months ahead, investors will have to continue digesting news around Brexit, the fallout of European Union elections and the 2020 U.S. presidential campaign. Each has the potential to create unwelcome uncertainty for consumers and businesses, which in turn could crimp global economic growth.

Already, we are seeing some signs of softening. New orders of capital goods, excluding defense and aircraft, declined 0.9% in April from the month prior. Shipments were flat for the same period, and in May, the Institute for Supply Management's Purchasing Managers' Index came in at 52.1%, still in expansionary territory, but down from an average of 56.7% over the past 12 months. And while the Morgan Stanley Composite Capex Plans Index saw a 2.2-point gain in May, suggesting some continued optimism by businesses, the results were calculated before President Trump threatened tariffs on Mexico and demonstrated his willingness to expand trade disputes.

Against this backdrop, we believe cyclical equities could face challenges. Even if trade resolutions are reached, we are in the later stages of the business cycle, a time when economic activity naturally ebbs.

Consequently, investors might be tempted to shy away from traditionally cyclical sectors, such as financials, consumer discretionary, technology and industrials. However we think a better approach is to focus on secular growth stories that are likely to persist regardless of where we are in the economic cycle. Through that lens, we believe compelling, long-term growth opportunities can be found throughout the market's sectors. In technology, for example, the transition to cloud computing persists, driving steady demand for providers of Software as a Service and cloud platforms. In industrials, innovation continues with machine vision systems, which are increasingly being used in logistics and manufacturing. From our experience, such fundamentals are more pertinent to long-term returns than the geopolitical worries *du jour*.

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, 2019**

**5 Top Performers - Holdings**

	<b>Contribution</b>		<b>Contribution</b>
Mastercard Inc	0.71%	AbbVie Inc	-0.22%
Amazon.com Inc	0.66%	Isuzu Motors Ltd	-0.18%
Microsoft Corp	0.61%	NRG Energy Inc	-0.14%
ASML Holding NV	0.59%	Bristol-Myers Squibb Co	-0.10%
Visa Inc	0.55%	Occidental Petroleum Corp	-0.10%

**5 Bottom Performers - Holdings**

**4 Top Performers - Sectors\***

	<b>Portfolio Contribution</b>	<b>Portfolio Weighting (Average % of Equity)</b>	<b>MSCI World Index Weighting</b>
Financials	1.30%	21.22%	21.21%
Industrials	0.44%	17.77%	17.81%
Healthcare	0.27%	12.49%	12.85%
Consumer	0.27%	18.54%	18.58%

**3 Bottom Performers - Sectors\***

	<b>Portfolio Contribution</b>	<b>Portfolio Weighting (Average % of Equity)</b>	<b>MSCI World Index Weighting</b>
Energy	-0.81%	8.98%	9.29%
Technology	-0.26%	20.39%	20.25%
Other**	-0.08%	0.61%	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 GICS classified sector.



# Janus Henderson VIT Global Research Portfolio (unaudited)

## Portfolio At A Glance

### June 30, 2019

#### 5 Largest Equity Holdings - (% of Net Assets)

Microsoft Corp	
Software	3.2%
Amazon.com Inc	
Internet & Direct Marketing Retail	2.8%
JPMorgan Chase & Co	
Banks	2.2%
Alphabet Inc - Class C	
Interactive Media & Services	2.1%
Mastercard Inc	
Information Technology Services	2.0%
	12.3%

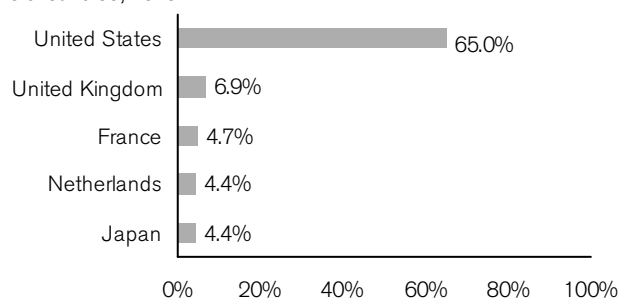
#### Asset Allocation - (% of Net Assets)

Common Stocks	100.2%
Investment Companies	0.1%
Other	(0.3)%
	100.0%

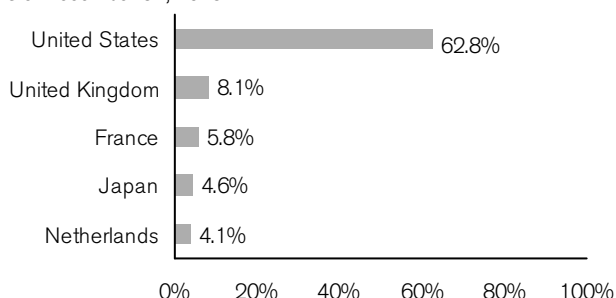
Emerging markets comprised 5.3% of total net assets.

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

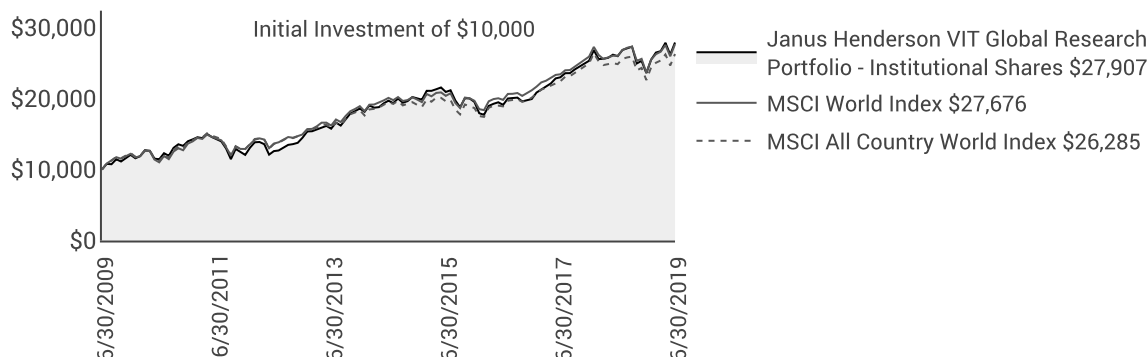
As of June 30, 2019



As of December 31, 2018



# Janus Henderson VIT Global Research Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2019						Expense Ratios - per the April 30, 2019 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	18.29%	7.41%	7.20%	10.81%	8.33%	0.60%
Service Shares	18.15%	7.16%	6.94%	10.53%	8.05%	0.85%
MSCI World Index	16.98%	6.33%	6.60%	10.72%	7.02%	
MSCI All Country World Index	16.23%	5.74%	6.16%	10.15%	N/A**	
Morningstar Quartile - Institutional Shares	-	2nd	2nd	2nd	2nd	
Morningstar Ranking - based on total returns for World Large Stock Funds	-	255/887	214/701	218/508	66/147	

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](http://janushenderson.com/VITperformance).

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

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

Returns do not reflect the deduction of fees, charges or expenses of any insurance product or qualified plan. If applied, returns would have been lower.

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](http://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 (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Beginning Account Value (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Net Annualized Expense Ratio (1/1/19 - 6/30/19)
Institutional Shares	\$1,000.00	\$1,182.90	\$4.22	\$1,000.00	\$1,020.93	\$3.91	0.78%
Service Shares	\$1,000.00	\$1,181.50	\$5.57	\$1,000.00	\$1,019.69	\$5.16	1.03%

<sup>†</sup> 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, 2019

	Shares	Value
Common Stocks – 100.2%		
Aerospace & Defense – 4.0%		
Boeing Co	19,720	\$7,178,277
L3 Technologies Inc	35,393	8,677,302
Safran SA	87,929	12,879,580
		28,735,159
Airlines – 0.6%		
Ryanair Holdings PLC (ADR)*	64,751	4,153,129
Auto Components – 0.7%		
Aptiv PLC	66,007	5,335,346
Automobiles – 0.7%		
Isuzu Motors Ltd	449,400	5,115,156
Banks – 4.5%		
BNP Paribas SA	77,765	3,692,171
China Construction Bank Corp	3,369,000	2,902,600
HDFC Bank Ltd	255,311	9,039,644
JPMorgan Chase & Co	140,448	15,702,086
Mitsubishi UFJ Financial Group Inc	199,300	946,583
		32,283,084
Beverages – 3.1%		
Constellation Brands Inc	62,973	12,401,903
Pernod Ricard SA	54,024	9,952,242
		22,354,145
Biotechnology – 1.9%		
AbbVie Inc	72,547	5,275,618
Neurocrine Biosciences Inc*	49,069	4,142,896
Sage Therapeutics Inc*	9,063	1,659,345
Sarepta Therapeutics Inc*	15,379	2,336,839
		13,414,698
Building Products – 1.4%		
Daikin Industries Ltd	75,100	9,798,530
Capital Markets – 4.1%		
Blackstone Group LP	163,164	7,247,745
Intercontinental Exchange Inc	90,532	7,780,320
London Stock Exchange Group PLC	104,341	7,267,928
TD Ameritrade Holding Corp	125,505	6,265,210
UBS Group AG*	79,500	945,071
		29,506,274
Chemicals – 1.2%		
Air Products & Chemicals Inc	37,348	8,454,467
Construction Materials – 0.7%		
Vulcan Materials Co	36,182	4,968,150
Consumer Finance – 1.8%		
Nexi SpA (144A)*	544,697	5,610,690
Synchrony Financial	211,312	7,326,187
		12,936,877
Electrical Equipment – 0.5%		
Sensata Technologies Holding PLC*	74,699	3,660,251
Electronic Equipment, Instruments & Components – 1.9%		
Hexagon AB	148,215	8,233,102
Keyence Corp	9,000	5,521,058
		13,754,160
Energy Equipment & Services – 0.2%		
Halliburton Co	51,040	1,160,650
Entertainment – 2.8%		
Netflix Inc*	25,338	9,307,154
Walt Disney Co	80,117	11,187,538
		20,494,692
Equity Real Estate Investment Trusts (REITs) – 1.7%		
American Tower Corp	34,241	7,000,572

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, 2019

	Shares	Value
Common Stocks – (continued)		
Equity Real Estate Investment Trusts (REITs) – (continued)		
Invitation Homes Inc	194,842	\$5,208,127
		12,208,699
Health Care Equipment & Supplies – 2.2%		
Abbott Laboratories	108,680	9,139,988
Boston Scientific Corp (144A)*	160,667	6,905,468
		16,045,456
Health Care Providers & Services – 1.6%		
Humana Inc	17,280	4,584,384
UnitedHealth Group Inc	28,593	6,976,978
		11,561,362
Hotels, Restaurants & Leisure – 3.7%		
GVC Holdings PLC	607,257	5,025,586
McDonald's Corp	47,718	9,909,120
Merlin Entertainments PLC	1,040,145	5,931,120
Norwegian Cruise Line Holdings Ltd*	78,355	4,202,179
Starbucks Corp	23,088	1,935,467
		27,003,472
Household Durables – 0.8%		
Sony Corp	111,500	5,841,855
Independent Power and Renewable Electricity Producers – 1.8%		
NRG Energy Inc	218,124	7,660,515
Vistra Energy Corp	233,502	5,286,485
		12,947,000
Industrial Conglomerates – 1.0%		
Honeywell International Inc	41,027	7,162,904
Information Technology Services – 6.2%		
Amdocs Ltd	96,724	6,005,593
GoDaddy Inc*	66,574	4,670,166
Mastercard Inc	55,277	14,622,425
Visa Inc	80,571	13,983,097
Worldpay Inc*	45,482	5,573,819
		44,855,100
Insurance – 4.2%		
AIA Group Ltd	1,011,000	10,904,159
NN Group NV	129,135	5,196,757
Progressive Corp	130,932	10,465,395
Prudential PLC	189,366	4,125,904
		30,692,215
Interactive Media & Services – 3.0%		
Alphabet Inc - Class C*	14,086	15,225,698
Tencent Holdings Ltd	145,500	6,567,747
		21,793,445
Internet & Direct Marketing Retail – 3.8%		
Alibaba Group Holding Ltd (ADR)*	39,633	6,715,812
Amazon.com Inc*	10,830	20,508,013
		27,223,825
Life Sciences Tools & Services – 1.2%		
Thermo Fisher Scientific Inc	28,420	8,346,386
Machinery – 1.1%		
Parker-Hannifin Corp	45,986	7,818,080
Metals & Mining – 1.8%		
Rio Tinto PLC	125,714	7,790,185
Teck Resources Ltd	233,320	5,384,856
		13,175,041
Multi-Utilities – 0.4%		
National Grid PLC	305,012	3,236,824
Oil, Gas & Consumable Fuels – 6.5%		
Cabot Oil & Gas Corp	193,816	4,450,015

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, 2019**

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Oil, Gas & Consumable Fuels – (continued)		
Canadian Natural Resources Ltd	163,814	\$4,417,498
Enterprise Products Partners LP	276,905	7,994,247
EOG Resources Inc	62,652	5,836,660
Marathon Petroleum Corp	94,950	5,305,806
Occidental Petroleum Corp	77,965	3,920,080
Suncor Energy Inc	250,527	7,815,815
TOTAL SA	128,980	7,224,939
		46,965,060
Personal Products – 3.0%		
Estee Lauder Cos Inc	47,719	8,737,826
Unilever NV	215,275	13,107,484
		21,845,310
Pharmaceuticals – 5.9%		
AstraZeneca PLC	71,386	5,835,309
Bristol-Myers Squibb Co	141,103	6,399,021
Catalent Inc*	101,952	5,526,818
Elanco Animal Health Inc*	78,544	2,654,787
Merck & Co Inc	115,606	9,693,563
Novartis AG	87,325	7,982,568
Takeda Pharmaceutical Co Ltd	130,850	4,640,441
		42,732,507
Road & Rail – 1.2%		
CSX Corp	111,331	8,613,679
Semiconductor & Semiconductor Equipment – 4.8%		
ASML Holding NV	65,554	13,692,668
Microchip Technology Inc	41,638	3,610,015
Taiwan Semiconductor Manufacturing Co Ltd	1,034,000	7,957,432
Texas Instruments Inc	84,869	9,739,566
		34,999,681
Software – 8.8%		
Adobe Inc*	40,279	11,868,207
Autodesk Inc*	10,977	1,788,153
Constellation Software Inc/Canada	6,682	6,298,502
Intuit Inc	19,400	5,069,802
Microsoft Corp	170,671	22,863,087
salesforce.com Inc*	63,009	9,560,356
SS&C Technologies Holdings Inc	110,804	6,383,418
		63,831,525
Technology Hardware, Storage & Peripherals – 0.7%		
Samsung Electronics Co Ltd	125,435	5,106,934
Textiles, Apparel & Luxury Goods – 2.0%		
Cie Financiere Richemont SA	77,486	6,578,131
NIKE Inc	95,390	8,007,990
		14,586,121
Tobacco – 1.5%		
British American Tobacco PLC	301,999	10,540,957
Trading Companies & Distributors – 1.2%		
Ferguson PLC	120,865	8,593,862
Total Common Stocks (cost \$544,625,472)		723,852,068
Investment Companies – 0.1%		
Money Markets – 0.1%		
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>pas</sup> (cost \$1,230,000)	1,229,877	1,229,877
Total Investments (total cost \$545,855,472) – 100.3%		725,081,945
Liabilities, net of Cash, Receivables and Other Assets – (0.3)%		(2,496,969)
Net Assets – 100%		\$722,584,976

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, 2019

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

Country	Value	% of Investment Securities
United States	\$471,104,978	65.0 %
United Kingdom	49,753,813	6.9
France	33,748,932	4.7
Netherlands	31,996,909	4.4
Japan	31,863,623	4.4
Canada	23,916,671	3.3
China	16,186,159	2.2
Switzerland	15,505,770	2.1
Hong Kong	10,904,159	1.5
India	9,039,644	1.2
Sweden	8,233,102	1.1
Taiwan	7,957,432	1.1
Italy	5,610,690	0.8
South Korea	5,106,934	0.7
Ireland	4,153,129	0.6
Total	\$725,081,945	100.0 %

#### Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income	Realized Gain/(Loss)	Change in Unrealized Appreciation/Depreciation	Value at 6/30/19
Investment Companies - 0.1%				
Investments Purchased with Cash Collateral from Securities Lending - N/A				
Janus Henderson Cash Collateral Fund LLC, 2.3576% <sup>00</sup>	\$ 14,765 <sup>Δ</sup>	\$ -	\$ -	\$ -
Money Markets - 0.1%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>00</sup>	38,458	(38)	(123)	1,229,877
Total Affiliated Investments - 0.1%	\$ 53,223	\$ (38)	\$ (123)	\$ 1,229,877

	Share Balance at 12/31/18	Purchases	Sales	Share Balance at 6/30/19
Investment Companies - 0.1%				
Investments Purchased with Cash Collateral from Securities Lending - N/A				
Janus Henderson Cash Collateral Fund LLC, 2.3576% <sup>00</sup>	6,501	8,013,007	(8,019,508)	-
Money Markets - 0.1%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>00</sup>	1,243,000	39,263,958	(39,277,081)	1,229,877

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



# Janus Henderson VIT Global Research Portfolio

## Notes to Schedule of Investments and Other Information (unaudited)

MSCI All Country World Index<sup>SM</sup> MSCI All Country World Index<sup>SM</sup> reflects the equity market performance of global developed and emerging markets.

MSCI World Index<sup>SM</sup> MSCI World Index<sup>SM</sup> reflects the equity market performance of global developed markets.

ADR American Depositary Receipt

LLC Limited Liability Company

LP Limited Partnership

PLC Public Limited 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, 2019 is \$12,516,158, which represents 1.7% of net assets.

\* Non-income producing security.

°° Rate shown is the 7-day yield as of June 30, 2019.

£ 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, 2019. See Notes to Financial Statements for more information.

### Valuation Inputs Summary

	<i>Level 1 - Quoted Prices</i>	<i>Level 2 - Other Significant Observable Inputs</i>	<i>Level 3 - Significant Unobservable Inputs</i>
<b>Assets</b>			
<b>Investments In Securities:</b>			
<i>Common Stocks</i>	\$ 723,852,068	\$ -	\$ -
<i>Investment Companies</i>	-	1,229,877	-
<b>Total Assets</b>	<b>\$ 723,852,068</b>	<b>\$ 1,229,877</b>	<b>\$ -</b>

# Janus Henderson VIT Global Research Portfolio

## Statement of Assets and Liabilities (unaudited)

### June 30, 2019

Assets:		
Unaffiliated investments, at value <sup>(1)</sup>	\$	723,852,068
Affiliated investments, at value <sup>(2)</sup>		1,229,877
Cash		5,916
Non-interested Trustees' deferred compensation		18,284
Receivables:		
Investments sold		17,720,252
Dividends		972,357
Foreign tax reclaims		306,909
Portfolio shares sold		51,241
Dividends from affiliates		408
Other assets		3,180
<b>Total Assets</b>		<b>744,160,492</b>
Liabilities:		
Foreign cash due to custodian		726
Payables:		
Investments purchased		20,633,206
Advisory fees		401,282
Portfolio shares repurchased		344,862
12b-1 Distribution and shareholder servicing fees		40,578
Transfer agent fees and expenses		30,156
Non-interested Trustees' deferred compensation fees		18,284
Professional fees		10,330
Custodian fees		5,630
Non-interested Trustees' fees and expenses		4,698
Affiliated portfolio administration fees payable		1,456
Accrued expenses and other payables		84,308
<b>Total Liabilities</b>		<b>21,575,516</b>
<b>Net Assets</b>	<b>\$</b>	<b>722,584,976</b>
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	522,886,084
Total distributable earnings (loss)		199,698,892
<b>Total Net Assets</b>	<b>\$</b>	<b>722,584,976</b>
Net Assets - Institutional Shares	\$	520,381,973
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		9,987,590
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>52.10</b>
Net Assets - Service Shares	\$	202,203,003
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		3,971,269
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>50.92</b>

(1) Includes cost of \$544,625,472.

(2) Includes cost of \$1,230,000.

See Notes to Financial Statements.

# Janus Henderson VIT Global Research Portfolio

## Statement of Operations (unaudited)

### For the period ended June 30, 2019

Investment Income:		
Dividends	\$	8,187,222
Dividends from affiliates		38,458
Affiliated securities lending income, net		14,765
Other income		258
Foreign tax withheld		(403,684)
<b>Total Investment Income</b>		<b>7,837,019</b>
Expenses:		
Advisory fees		2,382,218
12b-1 Distribution and shareholder servicing fees:		
Service Shares		240,846
Transfer agent administrative fees and expenses:		
Institutional Shares		125,166
Service Shares		48,169
Other transfer agent fees and expenses:		
Institutional Shares		6,791
Service Shares		1,653
Shareholder reports expense		35,978
Professional fees		27,907
Registration fees		18,990
Custodian fees		14,265
Non-interested Trustees' fees and expenses		8,634
Affiliated portfolio administration fees		7,553
Other expenses		43,592
<b>Total Expenses</b>		<b>2,961,762</b>
<b>Net Investment Income/(Loss)</b>		<b>4,875,257</b>
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		16,802,814
Investments in affiliates		(38)
<b>Total Net Realized Gain/(Loss) on Investments</b>		<b>16,802,776</b>
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation <sup>(1)</sup>		93,810,344
Investments in affiliates		(123)
<b>Total Change in Unrealized Net Appreciation/Depreciation</b>		<b>93,810,221</b>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>\$</b>	<b>115,488,254</b>

(1) Includes change in unrealized appreciation/depreciation of \$23,703 due to foreign capital gains tax on investments.

See Notes to Financial Statements.

# Janus Henderson VIT Global Research Portfolio

## Statements of Changes in Net Assets

	<i>Period ended</i> <i>June 30, 2019</i> <i>(unaudited)</i>		<i>Year ended</i> <i>December 31, 2018</i>
Operations:			
Net investment income/(loss)	\$	4,875,257	\$ 8,301,352
Net realized gain/(loss) on investments		16,802,776	42,223,385
Change in unrealized net appreciation/depreciation		93,810,221	(97,105,476)
Net Increase/(Decrease) in Net Assets Resulting from Operations		115,488,254	(46,580,739)
Dividends and Distributions to Shareholders			
Institutional Shares		(33,595,774)	(5,995,987)
Service Shares		(13,075,376)	(1,999,207)
Net Decrease from Dividends and Distributions to Shareholders		(46,671,150)	(7,995,194)
Capital Share Transactions:			
Institutional Shares		7,084,890	(38,164,525)
Service Shares		3,113,406	(14,602,009)
Net Increase/(Decrease) from Capital Share Transactions		10,198,296	(52,766,534)
Net Increase/(Decrease) in Net Assets		79,015,400	(107,342,467)
Net Assets:			
Beginning of period		643,569,576	750,912,043
End of period	\$	722,584,976	\$ 643,569,576

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, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$47.13	\$51.20	\$40.63	\$40.24	\$41.45	\$38.99
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.38	0.62	0.51	0.45	0.35	0.51
Net realized and unrealized gain/(loss)	8.16	(4.09)	10.45	0.37	(1.28)	2.39
Total from Investment Operations	8.54	(3.47)	10.96	0.82	(0.93)	2.90
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.30)	(0.60)	(0.39)	(0.43)	(0.28)	(0.44)
Distributions (from capital gains)	(3.27)	—	—	—	—	—
Total Dividends and Distributions	(3.57)	(0.60)	(0.39)	(0.43)	(0.28)	(0.44)
Net Asset Value, End of Period	\$52.10	\$47.13	\$51.20	\$40.63	\$40.24	\$41.45
Total Return*	18.29%	(6.87)%	27.03%	2.07%	(2.29)%	7.44%
Net Assets, End of Period (in thousands)	\$520,382	\$463,402	\$540,594	\$469,321	\$509,494	\$571,145
Average Net Assets for the Period (in thousands)	\$507,356	\$533,418	\$512,287	\$478,402	\$560,660	\$577,941
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.78%	0.60%	0.64%	0.65%	0.80%	0.61%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.78%	0.60%	0.64%	0.65%	0.80%	0.61%
Ratio of Net Investment Income/(Loss)	1.47%	1.19%	1.05%	1.15%	0.83%	1.27%
Portfolio Turnover Rate	20%	36%	41%	45%	50%	42%

### Service Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$46.15	\$50.17	\$39.87	\$39.53	\$40.77	\$38.40
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.31	0.48	0.38	0.35	0.24	0.40
Net realized and unrealized gain/(loss)	7.99	(4.00)	10.24	0.36	(1.26)	2.35
Total from Investment Operations	8.30	(3.52)	10.62	0.71	(1.02)	2.75
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.26)	(0.50)	(0.32)	(0.37)	(0.22)	(0.38)
Distributions (from capital gains)	(3.27)	—	—	—	—	—
Total Dividends and Distributions	(3.53)	(0.50)	(0.32)	(0.37)	(0.22)	(0.38)
Net Asset Value, End of Period	\$50.92	\$46.15	\$50.17	\$39.87	\$39.53	\$40.77
Total Return*	18.15%	(7.08)%	26.68%	1.82%	(2.53)%	7.18%
Net Assets, End of Period (in thousands)	\$202,203	\$180,168	\$210,318	\$179,125	\$202,896	\$214,339
Average Net Assets for the Period (in thousands)	\$195,261	\$206,497	\$197,483	\$186,563	\$218,006	\$209,230
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	1.03%	0.85%	0.89%	0.90%	1.05%	0.86%
Ratio of Net Expenses (After Waivers and Expense Offsets)	1.03%	0.85%	0.89%	0.90%	1.05%	0.86%
Ratio of Net Investment Income/(Loss)	1.22%	0.94%	0.81%	0.91%	0.57%	1.01%
Portfolio Turnover Rate	20%	36%	41%	45%	50%	42%

\* Total return includes adjustments in accordance with generally accepted accounting principles required at the year or period end and are not annualized for periods of less than one full year. Total return 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, 2019 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.

### 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 daily on the accrual basis and includes amortization of premiums and accretion of discounts. The Portfolio classifies gains and losses on prepayments received as an adjustment to interest income. Debt securities may be placed in non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivables when collection of all or a portion of interest has become doubtful. 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 Global Research 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 Portfolio'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.



# Janus Henderson VIT Global Research Portfolio

## Notes to Financial Statements (unaudited)

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

# Janus Henderson VIT Global Research Portfolio

## Notes to Financial Statements (unaudited)

“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.

# Janus Henderson VIT Global Research Portfolio

## Notes to Financial Statements (unaudited)

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, 2019.

### 3. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio's "base" fee rate prior to any performance adjustment (expressed as an annual rate) is 0.60%.

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

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 investment performance of a Portfolio's Service Shares for the performance measurement period is used to calculate the Performance Adjustment. No Performance Adjustment is applied unless the difference between the Portfolio's investment performance and the cumulative investment record of the Portfolio's benchmark index is 0.50% or greater (positive or negative) during the applicable performance measurement period.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the period ended June 30, 2019, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.69%.

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

# Janus Henderson VIT Global Research Portfolio

## Notes to Financial Statements (unaudited)

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 is obligated to provide or arrange for the provision of certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio, 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 \$19,642 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2019. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2019 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, 2019 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 \$231,325 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2019.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or non-affiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or non-affiliated money market funds or cash management pooled investment vehicles that operate as money market funds. 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 (the "Sweep Vehicle") is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. The Sweep Vehicle operates as an "institutional" money market fund and prices its shares at NAV reflecting market-based values of its portfolio securities (i.e., a "floating" NAV) rounded to the fourth decimal place (e.g., \$1.0000). The Sweep Vehicle is permitted to impose a liquidity fee (of up to 2%) on redemptions from the Sweep Vehicle or a redemption gate that temporarily suspends redemptions from the Sweep Vehicle for up to 10 business days during a 90 day period. There are no restrictions on the Portfolio's ability to withdraw investments from the Sweep Vehicle at will, and there are no unfunded capital

# Janus Henderson VIT Global Research Portfolio

## Notes to Financial Statements (unaudited)

commitments due from the Portfolio to the Sweep Vehicle. The units of the Sweep Vehicle 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, 2019 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, 2019, the Portfolio engaged in cross trades amounting to \$4,783,118 in purchases.

### 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, 2019 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>
\$ 543,497,505	\$199,847,748	\$(18,263,308)	\$ 181,584,440

### 5. Capital Share Transactions

	<i>Period ended June 30, 2019</i>		<i>Year ended December 31, 2018</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	123,783	\$ 6,442,124	269,768	\$ 14,200,485
Reinvested dividends and distributions	659,128	33,595,774	117,634	5,995,987
Shares repurchased	(627,193)	(32,953,008)	(1,114,142)	(58,360,997)
Net Increase/(Decrease)	155,718	\$ 7,084,890	(726,740)	\$(38,164,525)
Service Shares:				
Shares sold	106,445	\$ 5,455,731	380,307	\$ 19,520,767
Reinvested dividends and distributions	262,452	13,075,376	40,025	1,999,207
Shares repurchased	(301,828)	(15,417,701)	(708,059)	(36,121,983)
Net Increase/(Decrease)	67,069	\$ 3,113,406	(287,727)	\$(14,602,009)

# Janus Henderson VIT Global Research Portfolio

## Notes to Financial Statements (unaudited)

### 6. Purchases and Sales of Investment Securities

For the period ended June 30, 2019, 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>
\$140,908,644	\$ 168,446,956	\$ -	\$ -

### 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 portfolios with fiscal years ending after December 15, 2018. Management is currently evaluating the impacts of ASU 2017-08 on the Portfolio's financial statements.

The FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820)*, in August 2018. The new guidance removes, modifies and enhances the disclosures to Topic 820. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity is permitted, and Management has decided, to early adopt the removed and modified disclosures in these financial statements.

### 8. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2019 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.

# Janus Henderson VIT Global Research Portfolio

## Additional Information (unaudited)

### Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at [janushenderson.com/proxyvoting](http://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](http://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](http://janushenderson.com/vit).

### APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Portfolio of Janus Aspen Series (each, a "VIT Portfolio," and collectively, the "VIT Portfolios"), as well as each Fund of Janus Investment Fund (together with the VIT Portfolios, the "Janus Henderson Funds," and each, a "Janus Henderson Fund"). As required by law, the Trustees determine annually whether to continue the investment advisory agreement for each Janus Henderson Fund and the subadvisory agreement for each Janus Henderson Funds that utilizes a subadviser.

In connection with their most recent consideration of those agreements for each Janus Henderson Fund, the Trustees received and reviewed information provided by Janus Capital and each subadviser 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 the information provided, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 6, 2018, 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 Janus Henderson 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 Janus Henderson Fund, and the subadvisory agreement for each subadvised Janus Henderson Fund, for the period from February 1, 2019 through February 1, 2020, 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, refer to actual annual advisory fees (and, for the purposes of peer comparisons any administration fees excluding out of pocket costs), net of any waivers, paid by a fund as a percentage of average net assets.

### *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 Janus Henderson Funds, taking into account the investment objective, strategies and policies of each Janus Henderson Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a

# Janus Henderson VIT Global Research Portfolio

## Additional Information (unaudited)

quarterly basis and their ongoing review of information related to the Janus Henderson 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 Janus Henderson Funds. The Trustees also considered other services provided to the Janus Henderson 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 Janus Henderson 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 Janus Henderson Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with fund shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Janus Henderson 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 Janus Henderson Funds and fund shareholders, ranging from investment management services to various other servicing functions, and that, in its view, Janus Capital is a capable provider of those services. The independent fee consultant also expressed the view 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 and the subadviser to each Janus Henderson Fund that utilizes a subadviser were appropriate and consistent with the terms of the respective investment advisory and subadvisory agreements, and that, taking into account steps taken to address those Janus Henderson Funds whose performance lagged that of their peers for certain periods, the Janus Henderson 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 Janus Henderson Funds effectively and had demonstrated its ability to attract well-qualified personnel.

### ***Performance of the Funds***

The Trustees considered the performance results of each Janus Henderson Fund over various time periods. They noted that they considered Janus Henderson Fund performance data throughout the year, including periodic meetings with each Janus Henderson Fund's portfolio manager(s), and also reviewed information comparing each Janus Henderson 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 Janus Henderson Fund's benchmark index. In this regard, the independent fee consultant found that the overall Janus Henderson Funds' performance has been reasonable: for the 36 months ended September 30, 2018, approximately 48% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2018, approximately 56% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar.

The Trustees considered the performance of each Janus Henderson Fund, noting that performance may vary by share class, and noted the following with respect to the VIT Portfolios:

- 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, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018.



# Janus Henderson VIT Global Research Portfolio

## Additional Information (unaudited)

2018. 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 Research Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 first Broadridge quartile for the 36 months ended May 31, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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.

In consideration of each Janus Henderson 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 Janus Henderson Fund's performance warranted continuation of such Janus Henderson Fund's investment advisory and subadvisory agreement(s).

### ***Costs of Services Provided***

The Trustees examined information regarding the fees and expenses of each Janus Henderson 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 management fee rate (investment advisory and any administration fees, but excluding out-of-pocket costs) for many of the Janus Henderson Funds, net of waivers, was below the average management fee rate of the respective peer group of funds selected by Broadridge. 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 Janus Henderson Fund. The Trustees also considered the total expenses for each share class of each Janus Henderson 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 expressed the view that the management fees charged by Janus Capital to each of the Janus Henderson Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. At the fund complex level, the independent fee consultant found: (1)

# Janus Henderson VIT Global Research Portfolio

## Additional Information (unaudited)

the total expenses and management fees of the Janus Henderson Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% under the average total expenses for the respective Broadridge Expense Group peers and 19% under the average total expenses for the respective Broadridge Expense Universes; (3) management fees for the Janus Henderson Funds, on average, were 8% under the average management fees for the respective Expense Groups and 10% under the average for the respective Expense Universes; and (4) Janus Henderson Fund expenses by function for each asset and share class category were reasonable relative to peer benchmarks.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual share class level, Janus Henderson Fund expenses were found to be reasonable relative to peer benchmarks. Further, for certain Janus Henderson Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to investors in each Janus Henderson Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Janus Henderson Funds were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such “focus list” 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 comparable subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Janus Henderson Funds having a similar strategy, while subadviser fee rates charged to the Janus Henderson Funds were generally within a reasonable range of the fee rates that the subadviser charges to comparable separate account clients or non-affiliated funds. The Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Janus Henderson Funds, Janus Capital performs significant additional services for the Janus Henderson Funds that it does not provide to those other clients, including administration services, oversight of the Janus Henderson Funds’ other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Janus Henderson Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, the Trustees noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Janus Henderson 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 Henderson mutual fund investors enjoy reasonable fees relative to the fees charged to Janus Henderson institutional and subadvised fund investors; (4) in three of five product categories, the Janus Henderson Funds receive proportionally better pricing than the industry in relation to Janus Henderson institutional clients; and (5) in six of seven strategies, Janus Capital has lower management fees than the management fees charged to funds subadvised by Janus Capital.

The Trustees considered the fees for each Janus Henderson Fund for its fiscal year ended in 2017, including the VIT Portfolios, and noted the following with regard to each VIT Portfolio's total expenses, net of applicable fee waivers (the VIT Portfolio's “total expenses”):

- 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.

# Janus Henderson VIT Global Research Portfolio

## Additional Information (unaudited)

- 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 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 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 Janus Henderson Funds, and considered profitability data of other publicly traded fund managers. 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, differences in complex size, differences in product mix, differences in types of business (mutual fund, institutional and other), differences in the methodology for allocating expenses, and the fund manager's capital structure and cost of capital.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provides to each Janus Henderson Fund. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Janus Henderson Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Janus Henderson 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 Janus Henderson Fund was reasonable. The Trustees also considered that the estimated profitability for an individual Janus Henderson 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 Janus Henderson 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 Janus Henderson Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Janus Henderson Funds was not a material factor in the Board's approval of the reasonableness of any Janus Henderson Fund's investment management fees.

The Trustees concluded that the management fees payable by each Janus Henderson Fund to Janus Capital, as well as the fees paid by Janus Capital to the subadvisers of subadvised Janus Henderson 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 Janus Henderson Funds. The Trustees also concluded that each Janus Henderson Fund's total expenses were reasonable, taking into account the size of the Janus Henderson Fund, the quality of services provided by Janus Capital and any subadviser, the investment performance of the Janus Henderson 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 Janus Henderson Funds increase. They noted the independent fee consultant's analysis of economies of scale

# Janus Henderson VIT Global Research Portfolio

## Additional Information (unaudited)

in prior years. They also noted that, although many Janus Henderson Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, the independent fee consultant concluded that 74% of these Janus Henderson Funds' share classes have contractual management fees (gross of waivers) below their Broadridge Expense Group averages. They also noted that for those Janus Henderson Funds whose expenses are being reduced by contractual expense limitations with Janus Capital, Janus Capital is subsidizing certain of these Janus Henderson Funds because they have not reached adequate scale. Moreover, as the assets of some of the Janus Henderson Funds have declined in the past few years, certain Janus Henderson 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 Janus Henderson Funds that have caused the effective rate of advisory fees payable by such a Janus Henderson Fund to vary depending on the investment performance of the Janus Henderson Fund relative to its benchmark index over the measurement period; and a few Janus Henderson Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Janus Henderson 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 Janus Henderson Funds.

The Trustees also considered information provided by the independent fee consultant, which 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 Henderson complex. The independent consultant further 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 Janus Henderson Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Janus Henderson Funds, Janus Capital appeared to be investing to increase the likelihood that these Janus Henderson Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant expressed the view that Janus Henderson Fund investors are well-served by the performance fee structures in place on the Janus Henderson Funds in light of any economies of scale that may be present at Janus Capital.

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 Janus Henderson Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Janus Henderson Fund of any economies of scale that may be present at the current asset level of the Janus Henderson Fund.

### ***Other Benefits to Janus Capital***

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Janus Henderson Funds from their relationships with the Janus Henderson Funds. They recognized that two affiliates of Janus Capital separately serve the Janus Henderson Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided, and that such compensation contributes to the overall profitability of Janus Capital and its affiliates that results from their relationship with the Janus Henderson Funds. The Trustees also considered Janus Capital's and each subadviser's past and proposed use of commissions paid by the Janus Henderson Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Janus Henderson Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Janus Henderson 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 likely to benefit each Janus Henderson 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 Janus Henderson Fund therefor, the Janus Henderson 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 its affiliates 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 the Janus Henderson Funds and other clients serviced by Janus Capital and its affiliates. They also 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 Janus Henderson Funds and that the Janus Henderson 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 certain other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Janus Henderson Fund could attract other business to Janus Capital, the subadvisers or other Janus Henderson funds,

## **Janus Henderson VIT Global Research Portfolio**

### **Additional Information (unaudited)**

and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Janus Henderson Funds.

# Janus Henderson VIT Global Research Portfolio

## Useful Information About Your Portfolio Report (unaudited)

### Management Commentary

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

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

Please keep in mind that the opinions expressed in the Management Commentary are just that: opinions. They are a reflection based on best judgment at the time this report was compiled, which was June 30, 2019. 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.



## **Janus Henderson VIT Global Research Portfolio**

### **Notes**

# Janus Henderson VIT Global Research 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](http://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 Distributors

# Janus Henderson VIT Research Portfolio

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## Janus Aspen Series

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the insurance company that offers your variable life insurance contract or variable annuity contract, may determine that it will no longer send you paper copies of the Portfolio's shareholder reports, unless you specifically request paper copies of the reports. Beginning on January 1, 2021, for shareholders who are not insurance contract holders, paper copies of the Portfolio's shareholder reports will no longer be sent by mail unless you specifically request paper copies of the reports. Instead, the reports will be made available on a website, and your insurance company or plan sponsor, broker-dealer, or financial intermediary will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company or plan sponsor, broker-dealer, or financial intermediary.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Portfolio electronically by contacting your insurance company or plan sponsor, broker-dealer, or other financial intermediary.

You may elect to receive all future reports in paper free of charge by contacting your insurance company or plan sponsor, broker dealer or other financial intermediary. Your election to receive reports in paper will apply to all funds held in your account with your insurance company or plan sponsor, broker dealer or other financial intermediary.

### HIGHLIGHTS

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

**Janus Henderson**  
— INVESTORS —

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# Janus Henderson VIT Research Portfolio (unaudited)

## PORTFOLIO SNAPSHOT

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

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

## PERFORMANCE OVERVIEW

For the six-month period ended June 30, 2019, Janus Henderson VIT Research Portfolio's Institutional Shares and Service Shares returned 23.00% and 22.87%, respectively. Meanwhile, the Portfolio's primary benchmark, the Russell 1000<sup>®</sup> Growth Index, returned 21.49% and its secondary benchmark, the S&P 500<sup>®</sup> Index, returned 18.54%. Another benchmark we use to measure performance, the Core Growth Index, returned 20.01%. 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

Stocks rebounded in the first quarter after the Federal Reserve indicated it would take a cautious approach to raising interest rates while inflation remained low. Increasing hopes that the U.S. and China were making progress toward a trade deal also supported stocks in the first quarter. In the second quarter stocks were volatile. Equities lost ground in May as setbacks in U.S.-China trade negotiations raised fears that trade tensions will further dent global economic growth. Economic data also pointed to a weakening global economy during the period. Stocks then rebounded in June, driven in part by expectations of more accommodative monetary policy from central banks.

## 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 selections in the industrial and consumer sectors were large contributors to relative

performance. Stock selection in the technology and energy sectors detracted from relative results.

On an individual basis, Microsoft was our largest contributor. The stock was up after the company announced better-than-expected quarterly earnings results and offered a bullish outlook for fiscal year 2020. We've been impressed by the revenue growth of Microsoft's commercial cloud business, which is now growing 40% annually. Those figures speak to the growth potential for Microsoft as it and Amazon – another top contributor during the period – continue to lead the buildout of enterprise cloud infrastructure globally. We believe companies are still in the early innings of this shift.

For Amazon, profitable segments such as Amazon Web Services and its advertising business continued to see strong growth, which helped drive the stock higher during the period. We continue to like Amazon, a longtime holding in the Portfolio, for the same reasons we've discussed in previous commentaries. The company's scale and distribution advantage have entrenched it as a dominant e-commerce platform, which should allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, we believe 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 made meaningful contributions to Fund performance. The company continued to demonstrate how its business model can address business-to-business payment solutions. A decision by many upstart fintech companies to use Mastercard and Visa's payments networks – instead of competing against them – has also reinforced the durability of the two global card networks' values, and helped drive the stock's appreciation. Mastercard has been a longtime holding in our Portfolio, and a large contributor to Portfolio performance over the years. Our basic view is that Mastercard's payments

## Janus Henderson VIT Research Portfolio (unaudited)

network among merchants, card issuers and card holders is a competitive moat that positions the business as a key beneficiary as more transactions migrate from cash and check to plastic and electronic payments. We believe 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.

While pleased to outperform the benchmark this period, we still held some stocks that produced disappointing results. Two health care stocks, AbbVie and Bristol-Myers Squibb, were among our largest detractors. AbbVie's stock declined after the company announced it would purchase Allergan at a significant premium. We believe the deal makes strategic sense, as Allergan's medical aesthetics franchise and Vraylar are good assets and that Allergan's women's health business will combine nicely with AbbVie's Orilissa. However, we believe the primary reason for the stock's negative reaction was concern that AbbVie is making the acquisition because of worries about the pace of biosimilar erosion for Humira, AbbVie's lead drug, which is expected to face additional competitors in 2023.

Bristol-Myers Squibb also weighed on returns. The stock declined due to ongoing uncertainties surrounding the firm's acquisition of Celgene. However, we believe the stock is now attractively valued. We also believe the deal should give Bristol-Myers access to Celgene's late-stage pipeline and \$2.5 billion in cost-saving synergies. On its own, Bristol-Myers is developing Opdivo and Yervoy, two leading therapies in the rapidly growing immuno-oncology market. We believe ongoing clinical trials in earlier stage cancer could significantly expand sales potential.

Outside the health care sector, Coca-Cola was one of our largest detractors. The stock was down after the company issued weak guidance, due largely to currency headwinds. We sold the stock to increase position sizes of several stocks in which we had greater conviction.

### OUTLOOK

After a brief reprieve, volatility has returned to equity markets as trade tensions escalate. But trade is only one part of the geopolitical story. In the months ahead, investors will have to continue digesting news around Brexit, the fallout of European Union elections and the 2020 U.S. presidential campaign. Each has the potential to create unwelcome uncertainty for consumers and

businesses, which in turn could crimp global economic growth.

Already, we are seeing some signs of softening. New orders of capital goods, excluding defense and aircraft, declined 0.9% in April from the month prior. Shipments were flat for the same period, and in May, the Institute for Supply Management's Purchasing Managers' Index came in at 52.1%, still in expansionary territory, but down from an average of 56.7% over the past 12 months. And while the Morgan Stanley Composite Capex Plans Index saw a 2.2-point gain in May, suggesting some continued optimism by businesses, the results were calculated before President Trump threatened tariffs on Mexico and demonstrated his willingness to expand trade disputes.

Against this backdrop, we believe cyclical equities could face challenges. Even if trade resolutions are reached, we are in the later stages of the business cycle, a time when economic activity naturally ebbs.

Consequently, investors might be tempted to shy away from traditionally cyclical sectors, such as financials, consumer discretionary, technology and industrials. However we think a better approach is to focus on secular growth stories that are likely to persist regardless of where we are in the economic cycle. Through that lens, we believe compelling, long-term growth opportunities can be found throughout the market's sectors. In technology, for example, the transition to cloud computing persists, driving steady demand for providers of Software as a Service and cloud platforms. In industrials, innovation continues with machine vision systems, which are increasingly being used in logistics and manufacturing. From our experience, such fundamentals are more pertinent to long-term returns than the geopolitical worries *du jour*.

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

**Janus Henderson VIT Research Portfolio (unaudited)**  
**Portfolio At A Glance**  
**June 30, 2019**

**5 Top Performers - Holdings**

	<b>Contribution</b>
Microsoft Corp	2.39%
Amazon.com Inc	1.55%
Mastercard Inc	1.00%
Apple Inc	0.99%
Visa Inc	0.94%

**5 Bottom Performers - Holdings**

	<b>Contribution</b>
AbbVie Inc	-0.30%
Bristol-Myers Squibb Co	-0.10%
Humana Inc	-0.07%
Coca-Cola Co	-0.06%
Altria Group Inc	-0.06%

**5 Top Performers - Sectors\***

	<b>Portfolio Contribution</b>	<b>Portfolio Weighting (Average % of Equity)</b>	<b>Russell 1000 Growth Index Weighting</b>
Industrials	0.80%	10.65%	11.81%
Consumer Discretionary	0.77%	14.42%	15.14%
Health Care	0.51%	13.26%	13.19%
Materials	0.47%	3.71%	1.82%
Information Technology	0.20%	33.62%	32.55%

**5 Bottom Performers - Sectors\***

	<b>Portfolio Contribution</b>	<b>Portfolio Weighting (Average % of Equity)</b>	<b>Russell 1000 Growth Index Weighting</b>
Communication Services	-0.48%	12.71%	12.25%
Consumer Staples	-0.32%	4.67%	5.74%
Utilities	-0.10%	0.26%	0.00%
Other**	-0.06%	0.21%	0.00%
Financials	-0.00%	4.25%	4.41%

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, 2019

#### 5 Largest Equity Holdings - (% of Net Assets)

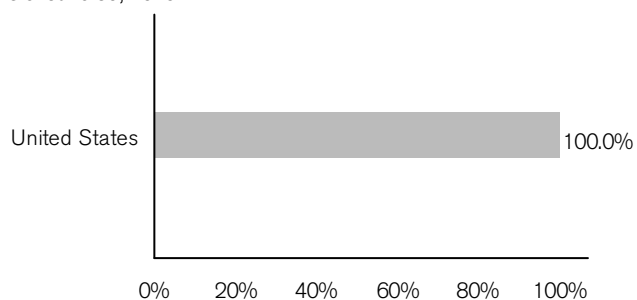
Microsoft Corp	
Software	8.3%
Amazon.com Inc	
Internet & Direct Marketing Retail	6.4%
Alphabet Inc - Class C	
Interactive Media & Services	5.7%
Apple Inc	
Technology Hardware, Storage & Peripherals	3.2%
Visa Inc	
Information Technology Services	3.1%
	<u>26.7%</u>

#### Asset Allocation - (% of Net Assets)

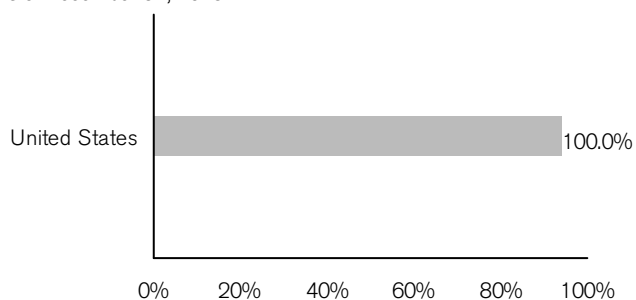
Common Stocks	100.2%
Investment Companies	0.9%
Other	(1.1)%
	<u>100.0%</u>

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

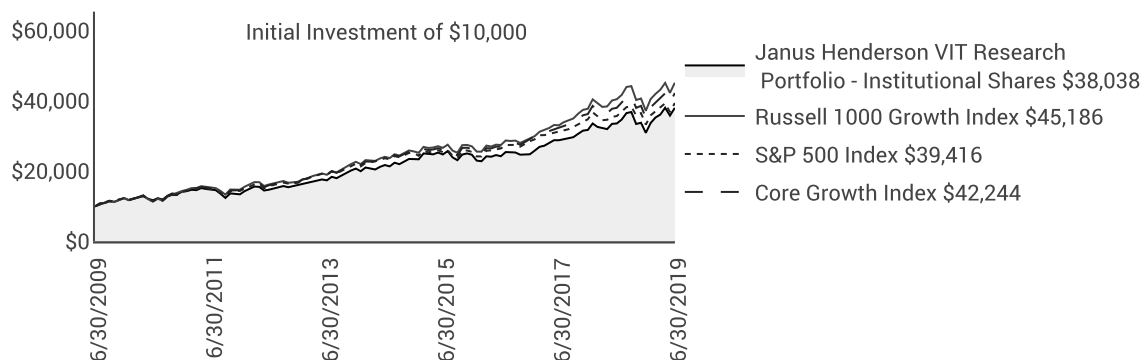
As of June 30, 2019



As of December 31, 2018



## Janus Henderson VIT Research Portfolio (unaudited) Performance



Average Annual Total Return - for the periods ended June 30, 2019						Expense Ratios - per the April 30, 2019 prospectuses
	Fiscal Year-to-Date	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	23.00%	13.24%	11.82%	14.29%	8.72%	0.58%
Service Shares	22.87%	12.98%	11.55%	14.01%	8.43%	0.83%
Russell 1000 Growth Index	21.49%	11.56%	13.39%	16.28%	9.60%	
S&P 500 Index	18.54%	10.42%	10.71%	14.70%	9.58%	
Core Growth Index	20.01%	11.00%	12.06%	15.50%	9.63%	
Morningstar Quartile - Institutional Shares	-	1st	2nd	3rd	3rd	
Morningstar Ranking - based on total returns for Large Growth Funds	-	306/1,402	633/1,286	728/1,117	285/434	

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](http://janushenderson.com/VITperformance).

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

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

Returns do not reflect the deduction of fees, charges or expenses of any insurance product or qualified plan. If applied, returns would have been lower.

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 Research Portfolio (unaudited) Performance**

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

See Notes to Schedule of Investments and Other Information for index definitionsfor 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](http://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 (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Beginning Account Value (1/1/19)	Ending Account Value (6/30/19)	Expenses Paid During Period (1/1/19 - 6/30/19) <sup>†</sup>	Net Annualized Expense Ratio (1/1/19 - 6/30/19)
Institutional Shares	\$1,000.00	\$1,230.00	\$3.21	\$1,000.00	\$1,021.92	\$2.91	0.58%
Service Shares	\$1,000.00	\$1,228.70	\$4.59	\$1,000.00	\$1,020.68	\$4.16	0.83%

<sup>†</sup> 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, 2019**

	<i>Shares</i>	<i>Value</i>
Common Stocks – 100.2%		
Aerospace & Defense – 3.1%		
Axon Enterprise Inc*	28,658	\$1,840,130
Boeing Co	21,889	7,967,815
L3 Technologies Inc	26,430	6,479,843
		16,287,788
Auto Components – 0.7%		
Aptiv PLC	45,608	3,686,495
Beverages – 1.5%		
Constellation Brands Inc	40,445	7,965,238
Biotechnology – 3.5%		
AbbVie Inc	82,890	6,027,761
AnaptysBio Inc*	24,882	1,403,842
Insmed Inc*	66,793	1,709,901
Mirati Therapeutics Inc*	14,667	1,510,701
Neurocrine Biosciences Inc*	43,747	3,693,559
Sage Therapeutics Inc*	9,942	1,820,281
Sarepta Therapeutics Inc*	15,227	2,313,743
		18,479,788
Capital Markets – 1.9%		
Blackstone Group LP	54,141	2,404,943
CME Group Inc	11,269	2,187,426
Intercontinental Exchange Inc	34,537	2,968,110
TD Ameritrade Holding Corp	50,574	2,524,654
		10,085,133
Chemicals – 1.9%		
Air Products & Chemicals Inc	20,496	4,639,680
Sherwin-Williams Co	11,002	5,042,107
		9,681,787
Construction Materials – 0.6%		
Vulcan Materials Co	24,574	3,374,256
Consumer Finance – 0.4%		
Synchrony Financial	63,695	2,208,306
Containers & Packaging – 0.5%		
Ball Corp	36,392	2,547,076
Diversified Consumer Services – 0.5%		
ServiceMaster Global Holdings Inc*	53,798	2,802,338
Electrical Equipment – 0.3%		
Sensata Technologies Holding PLC*	34,164	1,674,036
Electronic Equipment, Instruments & Components – 0.5%		
Cognex Corp	51,300	2,461,374
Entertainment – 3.6%		
Liberty Media Corp-Liberty Formula One*	83,617	3,128,112
Netflix Inc*	27,161	9,976,779
Walt Disney Co	41,845	5,843,236
		18,948,127
Equity Real Estate Investment Trusts (REITs) – 1.6%		
Crown Castle International Corp	55,400	7,221,390
Equinix Inc	2,422	1,221,390
		8,442,780
Health Care Equipment & Supplies – 3.0%		
Abbott Laboratories	79,399	6,677,456
Boston Scientific Corp (144A)*	139,104	5,978,690
ICU Medical Inc*	11,425	2,878,072
		15,534,218
Health Care Providers & Services – 2.9%		
Humana Inc	13,459	3,570,673
UnitedHealth Group Inc	47,672	11,632,445
		15,203,118

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, 2019**

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Health Care Technology – 0.5%		
Teladoc Health Inc*	37,172	\$2,468,593
Hotels, Restaurants & Leisure – 3.7%		
Aramark	121,530	4,382,372
Dunkin' Brands Group Inc	12,128	966,116
Hilton Worldwide Holdings Inc	46,760	4,570,322
McDonald's Corp	27,005	5,607,858
Norwegian Cruise Line Holdings Ltd*	55,523	2,977,699
Starbucks Corp	12,846	1,076,880
		19,581,247
Independent Power and Renewable Electricity Producers – 0.1%		
NRG Energy Inc	17,273	606,628
Industrial Conglomerates – 1.2%		
Honeywell International Inc	35,572	6,210,515
Information Technology Services – 9.4%		
Gartner Inc*	57,800	9,302,332
GoDaddy Inc*	46,765	3,280,565
Mastercard Inc	55,923	14,793,311
Visa Inc	93,598	16,243,933
Worldpay Inc*	46,555	5,705,315
		49,325,456
Insurance – 0.9%		
Progressive Corp	59,644	4,767,345
Interactive Media & Services – 8.0%		
Alphabet Inc - Class C*	27,445	29,665,575
Facebook Inc*	62,517	12,065,781
		41,731,356
Internet & Direct Marketing Retail – 7.0%		
Amazon.com Inc*	17,735	33,583,528
Wayfair Inc*	20,657	3,015,922
		36,599,450
Life Sciences Tools & Services – 1.4%		
Thermo Fisher Scientific Inc	24,879	7,306,465
Machinery – 1.9%		
Deere & Co	18,849	3,123,468
Parker-Hannifin Corp	19,014	3,232,570
Wabtec Corp	49,319	3,539,131
		9,895,169
Media – 1.5%		
Discovery Inc - Class C*	117,421	3,340,627
Liberty Broadband Corp*	43,642	4,548,369
		7,888,996
Oil, Gas & Consumable Fuels – 0.3%		
Enterprise Products Partners LP	23,572	680,524
EOG Resources Inc	7,323	682,211
		1,362,735
Personal Products – 0.6%		
Estee Lauder Cos Inc	18,314	3,353,477
Pharmaceuticals – 3.4%		
Bristol-Myers Squibb Co	114,467	5,191,078
Elanco Animal Health Inc*	62,193	2,102,123
Merck & Co Inc	127,039	10,652,220
		17,945,421
Professional Services – 1.8%		
CoStar Group Inc*	10,904	6,041,470
Verisk Analytics Inc	21,151	3,097,775
		9,139,245
Road & Rail – 1.2%		
CSX Corp	77,877	6,025,344

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

**Janus Henderson VIT Research Portfolio**  
**Schedule of Investments (unaudited)**  
**June 30, 2019**

	<i>Shares</i>	<i>Value</i>
Common Stocks – (continued)		
Semiconductor & Semiconductor Equipment – 6.8%		
Lam Research Corp	34,297	\$6,442,348
Microchip Technology Inc	57,460	4,981,782
Micron Technology Inc*	31,802	1,227,239
NVIDIA Corp	45,088	7,404,802
ON Semiconductor Corp*	59,026	1,192,915
Texas Instruments Inc	106,311	12,200,250
Xilinx Inc	16,495	1,945,090
		35,394,426
Software – 17.5%		
Adobe Inc*	52,919	15,592,583
Autodesk Inc*	40,749	6,638,012
HubSpot Inc*	8,403	1,432,880
Intuit Inc	18,757	4,901,767
Microsoft Corp	322,832	43,246,575
salesforce.com Inc*	80,754	12,252,804
SS&C Technologies Holdings Inc	45,006	2,592,796
Tyler Technologies Inc*	19,451	4,201,805
Zendesk Inc*	8,896	792,011
		91,651,233
Technology Hardware, Storage & Peripherals – 3.2%		
Apple Inc	83,830	16,591,634
Textiles, Apparel & Luxury Goods – 1.5%		
NIKE Inc	93,375	7,838,831
Tobacco – 1.8%		
Altria Group Inc	200,232	9,480,985
<b>Total Common Stocks (cost \$364,742,186)</b>		<b>524,546,409</b>
Investment Companies – 0.9%		
Money Markets – 0.9%		
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>∞, 6</sup> (cost \$4,898,000)	4,897,510	4,897,510
<b>Total Investments (total cost \$369,640,186) – 101.1%</b>		<b>529,443,919</b>
<b>Liabilities, net of Cash, Receivables and Other Assets – (1.1)%</b>		<b>(5,830,361)</b>
<b>Net Assets – 100%</b>		<b>\$523,613,558</b>

**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 6/30/19</i>
Investment Companies - 0.9%				
Money Markets - 0.9%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>∞</sup>	\$ 8,558	\$ (15)	\$ (490)	\$ 4,897,510

	<i>Share Balance at 12/31/18</i>	<i>Purchases</i>	<i>Sales</i>	<i>Share Balance at 6/30/19</i>
Investment Companies - 0.9%				
Money Markets - 0.9%				
Janus Henderson Cash Liquidity LLC, 2.5007% <sup>∞</sup>	1,134,000	33,051,864	(29,288,354)	4,897,510

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 <sup>®</sup> Growth Index	Russell 1000 <sup>®</sup> 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 <sup>®</sup> Growth Index (50%) and the S&P 500 <sup>®</sup> Index (50%).
S&P 500 <sup>®</sup> Index	S&P 500 <sup>®</sup> 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
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, 2019 is \$5,978,690, which represents 1.1% of net assets.
*	Non-income producing security.
°°	Rate shown is the 7-day yield as of June 30, 2019.
£	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, 2019. See Notes to Financial Statements for more information.

### Valuation Inputs Summary

	<i>Level 1 - Quoted Prices</i>	<i>Level 2 - Other Significant Observable Inputs</i>	<i>Level 3 - Significant Unobservable Inputs</i>
<b>Assets</b>			
<b>Investments In Securities:</b>			
<i>Common Stocks</i>	\$ 524,546,409	\$ -	\$ -
<i>Investment Companies</i>	-	4,897,510	-
<b>Total Assets</b>	<b>\$ 524,546,409</b>	<b>\$ 4,897,510</b>	<b>\$ -</b>



# Janus Henderson VIT Research Portfolio

## Statement of Assets and Liabilities (unaudited)

### June 30, 2019

Assets:		
Unaffiliated investments, at value <sup>(1)</sup>	\$	524,546,409
Affiliated investments, at value <sup>(2)</sup>		4,897,510
Cash		912
Non-interested Trustees' deferred compensation		13,251
Receivables:		
Investments sold		31,768,891
Dividends		300,809
Portfolio shares sold		10,145
Foreign tax reclaims		1,931
Dividends from affiliates		263
Other assets		1,999
<b>Total Assets</b>		<b>561,542,120</b>
Liabilities:		
Payables:		
Investments purchased		37,271,857
Portfolio shares repurchased		306,426
Advisory fees		207,038
12b-1 Distribution and shareholder servicing fees		28,945
Transfer agent fees and expenses		21,985
Professional fees		20,021
Non-interested Trustees' deferred compensation fees		13,251
Non-interested Trustees' fees and expenses		3,367
Custodian fees		2,271
Affiliated portfolio administration fees payable		1,061
Accrued expenses and other payables		52,340
<b>Total Liabilities</b>		<b>37,928,562</b>
<b>Net Assets</b>	<b>\$</b>	<b>523,613,558</b>
Net Assets Consist of:		
Capital (par value and paid-in surplus)	\$	342,854,882
Total distributable earnings (loss)		180,758,676
<b>Total Net Assets</b>	<b>\$</b>	<b>523,613,558</b>
<b>Net Assets - Institutional Shares</b>	<b>\$</b>	<b>380,898,609</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		10,269,350
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>37.09</b>
<b>Net Assets - Service Shares</b>	<b>\$</b>	<b>142,714,949</b>
Shares Outstanding, \$0.01 Par Value (unlimited shares authorized)		3,958,006
<b>Net Asset Value Per Share</b>	<b>\$</b>	<b>36.06</b>

(1) Includes cost of \$364,742,186.

(2) Includes cost of \$4,898,000.

See Notes to Financial Statements.

**Janus Henderson VIT Research Portfolio**  
**Statement of Operations (unaudited)**  
**For the period ended June 30, 2019**

Investment Income:		
Dividends	\$	3,092,859
Dividends from affiliates		8,558
Other income		35
Foreign tax withheld		(25)
<b>Total Investment Income</b>		<b>3,101,427</b>
Expenses:		
Advisory fees		1,215,675
12b-1 Distribution and shareholder servicing fees:		
Service Shares		172,946
Transfer agent administrative fees and expenses:		
Institutional Shares		90,593
Service Shares		34,589
Other transfer agent fees and expenses:		
Institutional Shares		4,525
Service Shares		1,052
Professional fees		26,615
Shareholder reports expense		21,873
Registration fees		15,984
Custodian fees		6,612
Non-interested Trustees' fees and expenses		6,153
Affiliated portfolio administration fees		5,465
Other expenses		36,122
<b>Total Expenses</b>		<b>1,638,204</b>
<b>Net Investment Income/(Loss)</b>		<b>1,463,223</b>
Net Realized Gain/(Loss) on Investments:		
Investments		20,890,314
Investments in affiliates		(15)
<b>Total Net Realized Gain/(Loss) on Investments</b>		<b>20,890,299</b>
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		79,945,364
Investments in affiliates		(490)
<b>Total Change in Unrealized Net Appreciation/Depreciation</b>		<b>79,944,874</b>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>\$</b>	<b>102,298,396</b>

See Notes to Financial Statements.

# Janus Henderson VIT Research Portfolio

## Statements of Changes in Net Assets

	<i>Period ended</i>		<i>Year ended</i>
	<i>June 30, 2019</i>		<i>December 31, 2018</i>
	<i>(unaudited)</i>		
Operations:			
Net investment income/(loss)	\$	1,463,223	\$ 2,266,769
Net realized gain/(loss) on investments		20,890,299	53,207,407
Change in unrealized net appreciation/depreciation		79,944,874	(64,203,109)
Net Increase/(Decrease) in Net Assets Resulting from Operations		102,298,396	(8,728,933)
Dividends and Distributions to Shareholders			
Institutional Shares		(39,744,246)	(20,256,261)
Service Shares		(15,190,729)	(7,620,740)
Net Decrease from Dividends and Distributions to Shareholders		(54,934,975)	(27,877,001)
Capital Share Transactions:			
Institutional Shares		17,781,074	(23,591,795)
Service Shares		2,849,577	(23,669,439)
Net Increase/(Decrease) from Capital Share Transactions		20,630,651	(47,261,234)
Net Increase/(Decrease) in Net Assets		67,994,072	(83,867,168)
Net Assets:			
Beginning of period		455,619,486	539,486,654
End of period	\$	523,613,558	\$ 455,619,486

See Notes to Financial Statements.

# Janus Henderson VIT Research Portfolio

## Financial Highlights

### Institutional Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$33.70	\$36.51	\$28.93	\$30.84	\$35.76	\$34.20
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.12	0.19	0.16	0.14	0.17	0.15
Net realized and unrealized gain/(loss)	7.58	(0.94)	7.87	(0.03)	1.92	4.08
Total from Investment Operations	7.70	(0.75)	8.03	0.11	2.09	4.23
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.11)	(0.21)	(0.13)	(0.16)	(0.23)	(0.13)
Distributions (from capital gains)	(4.20)	(1.85)	(0.32)	(1.86)	(6.78)	(2.54)
Total Dividends and Distributions	(4.31)	(2.06)	(0.45)	(2.02)	(7.01)	(2.67)
Net Asset Value, End of Period	\$37.09	\$33.70	\$36.51	\$28.93	\$30.84	\$35.76
Total Return*	23.00%	(2.58)%	27.88%	0.50%	5.35%	12.99%
Net Assets, End of Period (in thousands)	\$380,899	\$328,803	\$379,048	\$330,516	\$380,663	\$431,838
Average Net Assets for the Period (in thousands)	\$367,173	\$380,194	\$360,896	\$353,738	\$413,393	\$420,607
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.58%	0.58%	0.61%	0.62%	0.71%	0.55%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.58%	0.58%	0.61%	0.62%	0.71%	0.55%
Ratio of Net Investment Income/(Loss)	0.65%	0.50%	0.48%	0.47%	0.49%	0.44%
Portfolio Turnover Rate	24%	47%	55%	58%	54%	60%

### Service Shares

For a share outstanding during the period ended June 30, 2019 (unaudited) and the year ended

December 31	2019	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$32.87	\$35.68	\$28.31	\$30.24	\$35.21	\$33.74
Income/(Loss) from Investment Operations:						
Net investment income/(loss) <sup>(1)</sup>	0.07	0.09	0.08	0.06	0.08	0.06
Net realized and unrealized gain/(loss)	7.39	(0.92)	7.69	(0.02)	1.89	4.03
Total from Investment Operations	7.46	(0.83)	7.77	0.04	1.97	4.09
Less Dividends and Distributions:						
Dividends (from net investment income)	(0.07)	(0.13)	(0.08)	(0.11)	(0.16)	(0.08)
Distributions (from capital gains)	(4.20)	(1.85)	(0.32)	(1.86)	(6.78)	(2.54)
Total Dividends and Distributions	(4.27)	(1.98)	(0.40)	(1.97)	(6.94)	(2.62)
Net Asset Value, End of Period	\$36.06	\$32.87	\$35.68	\$28.31	\$30.24	\$35.21
Total Return*	22.87%	(2.84)%	27.55%	0.27%	5.08%	12.73%
Net Assets, End of Period (in thousands)	\$142,715	\$126,817	\$160,439	\$143,900	\$163,148	\$162,422
Average Net Assets for the Period (in thousands)	\$140,197	\$148,101	\$155,006	\$151,772	\$166,602	\$163,094
Ratios to Average Net Assets**:						
Ratio of Gross Expenses	0.83%	0.83%	0.86%	0.87%	0.97%	0.80%
Ratio of Net Expenses (After Waivers and Expense Offsets)	0.83%	0.83%	0.86%	0.87%	0.97%	0.80%
Ratio of Net Investment Income/(Loss)	0.40%	0.25%	0.23%	0.22%	0.25%	0.19%
Portfolio Turnover Rate	24%	47%	55%	58%	54%	60%

\* Total return includes adjustments in accordance with generally accepted accounting principles required at the year or period end and are not annualized for periods of less than one full year. Total return 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, 2019 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.

#### **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 daily on the accrual basis and includes amortization of premiums and accretion of discounts. The Portfolio classifies gains and losses on prepayments received as an adjustment to interest income. Debt securities may be placed in non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivables when collection of all or a portion of interest has become doubtful. 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 Research 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 Portfolio'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.

## **Janus Henderson VIT Research Portfolio**

### **Notes to Financial Statements (unaudited)**

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.

#### **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 Management LLC (“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<sup>®</sup> Growth Index for a period of 36 months.

The calculation of the performance adjustment applies as follows:



## Janus Henderson VIT Research Portfolio

### Notes to Financial Statements (unaudited)

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 investment performance of a Portfolio's Service Shares for the performance measurement period is used to calculate the Performance Adjustment. No Performance Adjustment is applied unless the difference between the Portfolio's investment performance and the cumulative investment record of the benchmark index is 0.50% or greater (positive or negative) during the applicable performance measurement period.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the period ended June 30, 2019, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.49%.

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 is obligated to provide or arrange for the provision of certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio, 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

## Janus Henderson VIT Research Portfolio

### Notes to Financial Statements (unaudited)

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 \$19,642 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the period ended June 30, 2019. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of June 30, 2019 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, 2019 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 \$231,325 were paid by the Trust to the Trustees under the Deferred Plan during the period ended June 30, 2019.

Pursuant to the provisions of the 1940 Act and related rules, the Portfolio may participate in an affiliated or non-affiliated cash sweep program. In the cash sweep program, uninvested cash balances of the Portfolio may be used to purchase shares of affiliated or non-affiliated money market funds or cash management pooled investment vehicles that operate as money market funds. 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 (the "Sweep Vehicle") is an affiliated unregistered cash management pooled investment vehicle that invests primarily in highly-rated short-term fixed-income securities. The Sweep Vehicle operates as an "institutional" money market fund and prices its shares at NAV reflecting market-based values of its portfolio securities (i.e., a "floating" NAV) rounded to the fourth decimal place (e.g., \$1.0000). The Sweep Vehicle is permitted to impose a liquidity fee (of up to 2%) on redemptions from the Sweep Vehicle or a redemption gate that temporarily suspends redemptions from the Sweep Vehicle for up to 10 business days during a 90 day period. There are no restrictions on the Portfolio's ability to withdraw investments from the Sweep Vehicle at will, and there are no unfunded capital commitments due from the Portfolio to the Sweep Vehicle. The units of the Sweep Vehicle 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, 2019 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, 2019, the Portfolio engaged in cross trades amounting to \$1,153,792 in sales, resulting in a net realized loss of \$9,965. The net realized loss is included within the "Net Realized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

# Janus Henderson VIT Research Portfolio

## Notes to Financial Statements (unaudited)

### 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, 2019 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals, straddle deferrals, and investments in partnerships.

<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
\$ 370,419,363	\$168,245,826	\$ (9,221,270)	\$ 159,024,556

### 5. Capital Share Transactions

	<i>Period ended June 30, 2019</i>		<i>Year ended December 31, 2018</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Institutional Shares:				
Shares sold	68,077	\$ 2,580,250	145,948	\$ 5,564,327
Reinvested dividends and distributions	1,085,612	39,744,246	543,760	20,256,261
Shares repurchased	(641,133)	(24,543,422)	(1,313,591)	(49,412,383)
Net Increase/(Decrease)	512,556	\$17,781,074	(623,883)	\$(23,591,795)
Service Shares:				
Shares sold	70,216	\$ 2,612,384	369,299	\$ 13,616,959
Reinvested dividends and distributions	426,826	15,190,729	209,452	7,620,740
Shares repurchased	(396,925)	(14,953,536)	(1,217,465)	(44,907,138)
Net Increase/(Decrease)	100,117	\$ 2,849,577	(638,714)	\$(23,669,439)

### 6. Purchases and Sales of Investment Securities

For the period ended June 30, 2019, 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>
\$122,972,626	\$ 153,790,230	\$ -	\$ -

### 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 portfolios with fiscal years

## **Janus Henderson VIT Research Portfolio**

### **Notes to Financial Statements (unaudited)**

ending after December 15, 2018. Management is currently evaluating the impacts of ASU 2017-08 on the Portfolio's financial statements.

The FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820)*, in August 2018. The new guidance removes, modifies and enhances the disclosures to Topic 820. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity is permitted, and Management has decided, to early adopt the removed and modified disclosures in these financial statements.

#### **8. Subsequent Event**

Management has evaluated whether any events or transactions occurred subsequent to June 30, 2019 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.

# Janus Henderson VIT Research Portfolio

## Additional Information (unaudited)

### Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at [janushenderson.com/proxyvoting](http://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](http://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](http://janushenderson.com/vit).

### APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

The Trustees of Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Portfolio of Janus Aspen Series (each, a "VIT Portfolio," and collectively, the "VIT Portfolios"), as well as each Fund of Janus Investment Fund (together with the VIT Portfolios, the "Janus Henderson Funds," and each, a "Janus Henderson Fund"). As required by law, the Trustees determine annually whether to continue the investment advisory agreement for each Janus Henderson Fund and the subadvisory agreement for each Janus Henderson Funds that utilizes a subadviser.

In connection with their most recent consideration of those agreements for each Janus Henderson Fund, the Trustees received and reviewed information provided by Janus Capital and each subadviser 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 the information provided, and also met separately in executive session with their independent legal counsel and their independent fee consultant.

At a meeting held on December 6, 2018, 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 Janus Henderson 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 Janus Henderson Fund, and the subadvisory agreement for each subadvised Janus Henderson Fund, for the period from February 1, 2019 through February 1, 2020, 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, refer to actual annual advisory fees (and, for the purposes of peer comparisons any administration fees excluding out of pocket costs), net of any waivers, paid by a fund as a percentage of average net assets.

### *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 Janus Henderson Funds, taking into account the investment objective, strategies and policies of each Janus Henderson Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a

## Janus Henderson VIT Research Portfolio

### Additional Information (unaudited)

quarterly basis and their ongoing review of information related to the Janus Henderson 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 Janus Henderson Funds. The Trustees also considered other services provided to the Janus Henderson 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 Janus Henderson 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 Janus Henderson Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with fund shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Janus Henderson 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 Janus Henderson Funds and fund shareholders, ranging from investment management services to various other servicing functions, and that, in its view, Janus Capital is a capable provider of those services. The independent fee consultant also expressed the view 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 and the subadviser to each Janus Henderson Fund that utilizes a subadviser were appropriate and consistent with the terms of the respective investment advisory and subadvisory agreements, and that, taking into account steps taken to address those Janus Henderson Funds whose performance lagged that of their peers for certain periods, the Janus Henderson 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 Janus Henderson Funds effectively and had demonstrated its ability to attract well-qualified personnel.

#### ***Performance of the Funds***

The Trustees considered the performance results of each Janus Henderson Fund over various time periods. They noted that they considered Janus Henderson Fund performance data throughout the year, including periodic meetings with each Janus Henderson Fund's portfolio manager(s), and also reviewed information comparing each Janus Henderson 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 Janus Henderson Fund's benchmark index. In this regard, the independent fee consultant found that the overall Janus Henderson Funds' performance has been reasonable: for the 36 months ended September 30, 2018, approximately 48% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2018, approximately 56% of the Janus Henderson Funds were in the top two quartiles of performance, as reported by Morningstar.

The Trustees considered the performance of each Janus Henderson Fund, noting that performance may vary by share class, and noted the following with respect to the VIT Portfolios:

- 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, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31,

## Janus Henderson VIT Research Portfolio

### Additional Information (unaudited)

2018. 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 Research Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 first Broadridge quartile for the 36 months ended May 31, 2018 and the first Broadridge quartile for the 12 months ended May 31, 2018.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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 Mid Cap Value Portfolio, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018.
- 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, 2018 and the second Broadridge quartile for the 12 months ended May 31, 2018. 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 third Broadridge quartile for the 36 months ended May 31, 2018 and the third Broadridge quartile for the 12 months ended May 31, 2018. 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 U.S. Low Volatility Portfolio, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2018 and the bottom Broadridge quartile for the 12 months ended May 31, 2018. 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.

In consideration of each Janus Henderson 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 Janus Henderson Fund's performance warranted continuation of such Janus Henderson Fund's investment advisory and subadvisory agreement(s).

#### **Costs of Services Provided**

The Trustees examined information regarding the fees and expenses of each Janus Henderson 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 management fee rate (investment advisory and any administration fees, but excluding out-of-pocket costs) for many of the Janus Henderson Funds, net of waivers, was below the average management fee rate of the respective peer group of funds selected by Broadridge. 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 Janus Henderson Fund. The Trustees also considered the total expenses for each share class of each Janus Henderson 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 expressed the view that the management fees charged by Janus Capital to each of the Janus Henderson Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. At the fund complex level, the independent fee consultant found: (1)

## Janus Henderson VIT Research Portfolio

### Additional Information (unaudited)

the total expenses and management fees of the Janus Henderson Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% under the average total expenses for the respective Broadridge Expense Group peers and 19% under the average total expenses for the respective Broadridge Expense Universes; (3) management fees for the Janus Henderson Funds, on average, were 8% under the average management fees for the respective Expense Groups and 10% under the average for the respective Expense Universes; and (4) Janus Henderson Fund expenses by function for each asset and share class category were reasonable relative to peer benchmarks.

The independent fee consultant concluded that, based on its strategic review of expenses at the complex, category and individual share class level, Janus Henderson Fund expenses were found to be reasonable relative to peer benchmarks. Further, for certain Janus Henderson Funds, the independent fee consultant also performed a systematic “focus list” analysis of expenses in the context of the performance or service delivered to investors in each Janus Henderson Fund. Based on this analysis, the independent fee consultant found that the combination of service quality/performance and expenses on these individual Janus Henderson Funds were reasonable in light of performance trends, performance histories, and existence of performance fees, breakpoints, and expense waivers on such “focus list” 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 comparable subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Janus Henderson Funds having a similar strategy, while subadviser fee rates charged to the Janus Henderson Funds were generally within a reasonable range of the fee rates that the subadviser charges to comparable separate account clients or non-affiliated funds. The Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Janus Henderson Funds, Janus Capital performs significant additional services for the Janus Henderson Funds that it does not provide to those other clients, including administration services, oversight of the Janus Henderson Funds’ other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Janus Henderson Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, the Trustees noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Janus Henderson 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 Henderson mutual fund investors enjoy reasonable fees relative to the fees charged to Janus Henderson institutional and subadvised fund investors; (4) in three of five product categories, the Janus Henderson Funds receive proportionally better pricing than the industry in relation to Janus Henderson institutional clients; and (5) in six of seven strategies, Janus Capital has lower management fees than the management fees charged to funds subadvised by Janus Capital.

The Trustees considered the fees for each Janus Henderson Fund for its fiscal year ended in 2017, including the VIT Portfolios, and noted the following with regard to each VIT Portfolio’s total expenses, net of applicable fee waivers (the VIT Portfolio’s “total expenses”):

- 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.



## Janus Henderson VIT Research Portfolio

### Additional Information (unaudited)

- 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 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 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 Janus Henderson Funds, and considered profitability data of other publicly traded fund managers. 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, differences in complex size, differences in product mix, differences in types of business (mutual fund, institutional and other), differences in the methodology for allocating expenses, and the fund manager's capital structure and cost of capital.

Additionally, the Trustees considered the estimated profitability to Janus Capital from the investment management services it provides to each Janus Henderson Fund. In their review, the Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Janus Henderson Funds effectively. In reviewing profitability, the Trustees noted that the estimated profitability for an individual Janus Henderson 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 Janus Henderson Fund was reasonable. The Trustees also considered that the estimated profitability for an individual Janus Henderson 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 Janus Henderson 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 Janus Henderson Fund was not unreasonable in relation to the services provided, and that the variation in the range of such estimated profitability among the Janus Henderson Funds was not a material factor in the Board's approval of the reasonableness of any Janus Henderson Fund's investment management fees.

The Trustees concluded that the management fees payable by each Janus Henderson Fund to Janus Capital, as well as the fees paid by Janus Capital to the subadvisers of subadvised Janus Henderson 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 Janus Henderson Funds. The Trustees also concluded that each Janus Henderson Fund's total expenses were reasonable, taking into account the size of the Janus Henderson Fund, the quality of services provided by Janus Capital and any subadviser, the investment performance of the Janus Henderson 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 Janus Henderson Funds increase. They noted the independent fee consultant's analysis of economies of scale

## **Janus Henderson VIT Research Portfolio**

### **Additional Information (unaudited)**

in prior years. They also noted that, although many Janus Henderson Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, the independent fee consultant concluded that 74% of these Janus Henderson Funds' share classes have contractual management fees (gross of waivers) below their Broadridge Expense Group averages. They also noted that for those Janus Henderson Funds whose expenses are being reduced by contractual expense limitations with Janus Capital, Janus Capital is subsidizing certain of these Janus Henderson Funds because they have not reached adequate scale. Moreover, as the assets of some of the Janus Henderson Funds have declined in the past few years, certain Janus Henderson 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 Janus Henderson Funds that have caused the effective rate of advisory fees payable by such a Janus Henderson Fund to vary depending on the investment performance of the Janus Henderson Fund relative to its benchmark index over the measurement period; and a few Janus Henderson Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Janus Henderson 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 Janus Henderson Funds.

The Trustees also considered information provided by the independent fee consultant, which 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 Henderson complex. The independent consultant further 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 Janus Henderson Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Janus Henderson Funds, Janus Capital appeared to be investing to increase the likelihood that these Janus Henderson Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant expressed the view that Janus Henderson Fund investors are well-served by the performance fee structures in place on the Janus Henderson Funds in light of any economies of scale that may be present at Janus Capital.

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 Janus Henderson Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Janus Henderson Fund of any economies of scale that may be present at the current asset level of the Janus Henderson Fund.

#### ***Other Benefits to Janus Capital***

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Janus Henderson Funds from their relationships with the Janus Henderson Funds. They recognized that two affiliates of Janus Capital separately serve the Janus Henderson Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided, and that such compensation contributes to the overall profitability of Janus Capital and its affiliates that results from their relationship with the Janus Henderson Funds. The Trustees also considered Janus Capital's and each subadviser's past and proposed use of commissions paid by the Janus Henderson Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Janus Henderson Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a subadviser to a Janus Henderson 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 likely to benefit each Janus Henderson 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 Janus Henderson Fund therefor, the Janus Henderson 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 its affiliates 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 the Janus Henderson Funds and other clients serviced by Janus Capital and its affiliates. They also 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 Janus Henderson Funds and that the Janus Henderson 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 certain other clients of Janus Capital and/or other clients of the subadvisers. They further concluded that the success of any Janus Henderson Fund could attract other business to Janus Capital, the subadvisers or other Janus Henderson funds,

## **Janus Henderson VIT Research Portfolio**

### **Additional Information (unaudited)**

and that the success of Janus Capital and the subadvisers could enhance Janus Capital's and the subadvisers' ability to serve the Janus Henderson 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, 2019. 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.

## **Janus Henderson VIT Research Portfolio Notes**

**Janus Henderson VIT Research 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](http://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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## SEMIANNUAL REPORT

June 30, 2019

T. ROWE PRICE

# Government Money Portfolio

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## HIGHLIGHTS

- The Government Money Portfolio returned 0.95% in the first half of 2019 versus 0.91% for the Lipper Variable Annuity Underlying U.S. Government Money Market Funds Average.
- The Federal Reserve kept the fed funds target rate in the 2.25%–2.50% range. Some short-term interest rates, particularly at the long end of the money market yield curve, declined after the Fed indicated in early 2019 that it may have reached the end of its tightening cycle.
- At the end of June, about 62% of the portfolio's assets were invested in U.S. government and agency securities. Treasuries and agency mortgage-backed repurchase agreements accounted for most of the remainder.
- While we believe the Fed will remain patient before enacting its next leg of monetary policy, the U.S.-China trade war presents an exogenous variable that the Fed cannot ignore indefinitely. The Fed has created an opening for itself to cut rates should financial conditions worsen; thus, incoming data will be critical to that decision.

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## Dear Investor

Markets overcame a bout of volatility in May and recorded exceptional returns in the six months ended June 30, 2019. The large-cap S&P 500 Index reached record highs and notched its best start to a year in over two decades. Overseas equity markets were also strong, while bond prices rose as longer-term interest rates fell to their lowest levels since late 2016.

Markets rebounded to start the year, as many of the worries behind the sell-off in late 2018 receded. Investors seemed most relieved by a dovish pivot in monetary policy. The S&P 500 scored its best daily gain for the period on January 4, after Federal Reserve Chair Jerome Powell pledged that the central bank would respond with all the tools at its disposal to counteract an economic downturn or financial turmoil. The Fed soon paused and kept rates steady following a series of quarterly hikes stretching back to late 2017.

Investors also seemed comforted by progress in U.S.-China trade relations. In March, President Donald Trump postponed a threatened tariff increase on Chinese goods and remarked that the two sides were “getting very close” to a deal. Encouraging statements continued to flow from the White House, and speculation grew that Chinese President Xi Jinping would soon visit Washington to sign an agreement.

Hopes for a deal were dashed in early May, however, sending stocks sharply lower. With negotiations at a standstill, on May 10, the administration increased the tariff rate to 25% from 10% on \$200 billion in Chinese goods, as the president had long threatened. China soon retaliated with its own tariffs. A technological “cold war” also seemed to be developing, with both sides taking measures to cut off the other’s access to key components and raw materials. Stocks fell sharply in response, and the small- and mid-cap indexes moved back into correction territory, or down more than 10% from the highs they established late in the previous summer.

Another turn in trade policy in June helped stocks recover their losses. The White House abandoned an earlier threat to put tariffs on Mexican imports in response to immigration issues, and President Trump again softened his stance on China. Markets were closed on the final weekend of the month, when the president announced that he and President Xi had agreed to resume trade negotiations and arranged a truce that would at least temporarily prevent the imposition of further tariffs.

An even bigger factor in the June rebound appeared to be growing confidence that the Fed would cut interest rates rather than merely keep them steady. Fed Chair Powell pledged that policymakers were paying close attention to the impact of trade tensions on the economy and would “act as appropriate to sustain the expansion.” Policymakers also dropped references to being “patient” in adjusting monetary policy. By the end of the month, futures markets were pricing in 75 basis points (0.75 percentage point) of cuts in the second half of the year, with a reasonable chance of more to come in 2020.

The dovish shift in Fed policy has been driven by accumulating evidence of slowing global growth. Rising trade barriers have taken a heavy toll on the global manufacturing sector, and business investment has pulled back as managers confront additional sources of uncertainty, such as the possibility of a disorderly Brexit this October. As a result, corporate earnings growth has stalled in the U.S. and turned negative in other major markets. On the positive side, consumers remain in much better shape, particularly domestically.

We see little evidence to suggest a recession is on the horizon. Indeed, with markets at all-time highs, investors seem willing to bet that this decade-long economic recovery still has legs. We will keep a close eye on developments and rely on our careful fundamental research to avoid pitfalls; I am confident our strategic investing approach will continue to serve our shareholders well.

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.

## FUND COMMENTARY

### How did the fund perform in the past six months?

The Government Money Portfolio returned 0.95% in the first half of 2019 versus 0.91% for its new Lipper benchmark, the Lipper Variable Annuity Underlying U.S. Government Money Market Funds Average. This Lipper average is a more appropriate reflection of the Government Money Portfolio's peer group than the Lipper Variable Annuity Underlying Money Market Funds Average. *(Past performance cannot guarantee future results.)*

#### PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/19	Total Return
Government Money Portfolio	0.95%
Lipper Variable Annuity Underlying U.S. Government Money Market Funds Average	0.91

### What factors influenced the fund's performance?

The Federal Reserve kept short-term interest rates steady in the first half of our fiscal year. The fed funds target rate stayed in the 2.25%–2.50% range that the central bank established in December 2018. Some short-term interest rates, particularly at the long end of the money market yield curve, declined after the Fed indicated in early 2019 that it may have reached the end of its tightening cycle.

The yield on the 90-day Treasury bill decreased from 2.45% to 2.12% in the last six months, the six-month T-bill yield slipped from 2.56% to 2.09%, and the one-year T-bill yield fell from 2.63% to 1.92%. Three-month LIBOR (the London interbank offered rate), a reference rate for bank funding levels, which had peaked at 2.82% in late December, declined after the Fed's dovish pivot and fell to 2.32% by the end of June. In contrast, the portfolio's 7-day SEC yield rose from 1.83% at the end of 2018 to 1.88% at the end of June.

The supply of Treasuries was elevated for much of our six-month reporting period: Seasonal decreases in bill supply due to tax receipts were delayed until late April this year, supporting higher rates. Increased longer-term Treasury note and bond supply—relating to both increased federal deficit financing and the Fed's balance sheet unwind—resulted in higher levels of repo-eligible collateral in the system, also supporting front-end rates.

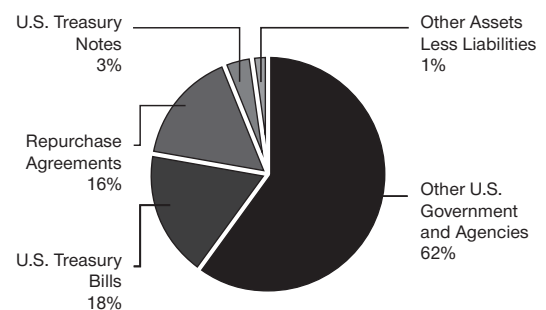
The portfolio has also maintained a strategy of buying adjustable rate securities that reset periodically based on market indexes such as LIBOR, SOFR (the secured overnight financing rate, which measures the cost of borrowing cash overnight collateralized by Treasuries), or the three-month Treasury bill. With the Fed policy on hold since its December rate hike, these securities have provided nice returns.

### 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 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, about 62% of the portfolio's assets were invested in U.S. government and agency securities. Treasury bills and notes represented about 21% while repurchase agreements accounted for most of the remainder.

While the Fed is on hold for now, most longer rates have declined on expectation of rate cuts. As a result, the money market yield curve has inverted, meaning shorter rates are higher than longer rates. So, while the Fed is on hold, and its path is unclear, we have opted to invest near the front of the yield curve. As a result, the portfolio's weighted average maturity moved shorter in the last six months, from 37 days to 28 days.

#### SECURITY DIVERSIFICATION



Based on net assets as of 6/30/19.

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

The uncertainty resulting from the U.S.-China trade war will continue to impact financial markets. While we believe the Fed will remain patient before enacting its next leg of monetary policy, the trade war presents an exogenous variable that the Fed cannot ignore indefinitely, despite solid growth and a strong job market. The Fed has created an opening for itself to cut rates should financial conditions worsen; thus, incoming data will be critical to that decision. In this environment, 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, a rating downgrade, or an inability to meet a financial obligation. The credit quality of the securities held by the portfolio may change rapidly in certain market environments, which could result in significant net asset value deterioration and the inability to maintain a \$1.00 share price.

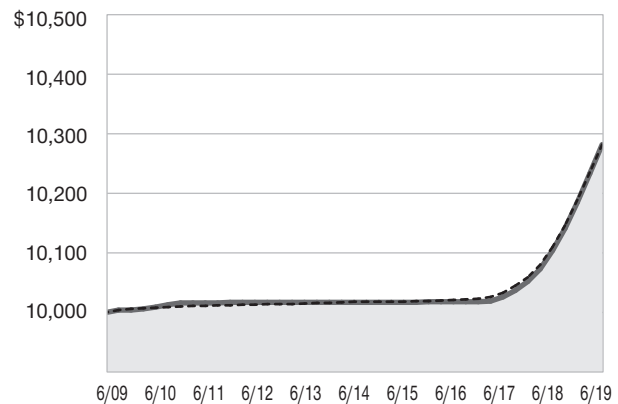
**Interest rate risks.** A decline in interest rates may lower the portfolio's yield, or a rise in the overall level of interest rates may cause a decline in the prices of fixed income securities held by the portfolio. The portfolio's yield will vary; it is not fixed for a specific period like the yield 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.

## 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



As of 6/30/19

— Government Money Portfolio	\$10,282
- - - Lipper Variable Annuity Underlying	10,282
..... U.S. Government Money Market Funds Average	

## AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/19	1 Year	5 Years	10 Years
Government Money Portfolio	1.76%	0.52%	0.28%

*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. 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 1/1/19	Ending Account Value 6/30/19	Expenses Paid During Period * 1/1/19 to 6/30/19
Actual	\$1,000.00	\$1,009.50	\$2.74
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 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment activities						
Net investment income <sup>(1) (2) (3)</sup>	0.01	0.01	— <sup>(4)</sup>	—	—	—
Net realized and unrealized gain/loss	— <sup>(4)</sup>	— <sup>(4)</sup>	— <sup>(4)</sup>	— <sup>(4)</sup>	— <sup>(4)</sup>	— <sup>(4)</sup>
Total from investment activities	0.01	0.01	— <sup>(4)</sup>	— <sup>(4)</sup>	— <sup>(4)</sup>	— <sup>(4)</sup>
Distributions						
Net investment income	(0.01)	(0.01)	— <sup>(4)</sup>	—	—	—
Net realized gain	—	—	—	—	— <sup>(4)</sup>	—
Total distributions	(0.01)	(0.01)	— <sup>(4)</sup>	—	— <sup>(4)</sup>	—
<b>NET ASSET VALUE</b>						
End of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Ratios/Supplemental Data

<b>Total return<sup>(2) (3) (6)</sup></b>	<b>0.95%</b>	<b>1.33%</b>	<b>0.34%</b>	<b>0.00%</b>	<b>0.01%</b>	<b>0.00%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.55% <sup>(6)</sup>	0.55%	0.55%	0.55%	0.55%	0.55%
Net expenses after waivers/payments by Price Associates <sup>(3)</sup>	0.55% <sup>(6)</sup>	0.55%	0.55%	0.40%	0.23%	0.17%
Net investment income <sup>(3)</sup>	1.92% <sup>(6)</sup>	1.32%	0.38%	0.00%	0.00%	0.00%
Net assets, end of period (in thousands)	\$ 35,226	\$ 34,589	\$ 33,318	\$ 18,880	\$ 17,379	\$ 17,905

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 5 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> See Note 5. Includes the effect of voluntary management fee waivers and operating expense reimbursements (0.00%, 0.00%, 0.00%, 0.15%, 0.32% and 0.38% of average net assets) for the six months ended 6/30/19 and the years ended 12/31/18, 12/31/17, 12/31/16, 12/31/15 and 12/31/14, respectively.

<sup>(4)</sup> Amounts round to less than \$0.01 per share.

<sup>(5)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(6)</sup> Annualized

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

## T. ROWE PRICE GOVERNMENT MONEY PORTFOLIO

June 30, 2019 (Unaudited)

PORTFOLIO OF INVESTMENTS <sup>†</sup>	Par	\$ Value
(Amounts in 000s)		
<b>U.S. GOVERNMENT AGENCY DEBT 61.7% (1)</b>		
Federal Farm Credit Bank, FRN, 3M UST + 0.085%, 2.181%, 8/8/19	400	400
Federal Home Loan Bank 2.264%, 7/16/19	600	599
Federal Home Loan Bank 2.284%, 7/19/19	1,300	1,298
Federal Home Loan Bank 2.287%, 8/7/19	300	299
Federal Home Loan Bank 2.304%, 7/18/19	400	400
Federal Home Loan Bank 2.309%, 8/28/19	300	299
Federal Home Loan Bank 2.346%, 7/10/19	905	904
Federal Home Loan Bank 2.367%, 7/31/19	200	200
Federal Home Loan Bank 2.368%, 8/1/19	200	200
Federal Home Loan Bank 2.382%, 8/2/19	2,500	2,495
Federal Home Loan Bank 2.401%, 8/23/19	674	672
Federal Home Loan Bank 2.404%, 7/17/19	300	300
Federal Home Loan Bank 2.412%, 8/16/19	484	482
Federal Home Loan Bank 2.416%, 7/12/19	300	300
Federal Home Loan Bank 2.421%, 7/5/19	605	605
Federal Home Loan Bank 2.427%, 7/3/19	1,240	1,240
Federal Home Loan Bank 2.428%, 7/9/19	3,040	3,038
Federal Home Loan Bank 2.429%, 7/2/19	1,390	1,390
Federal Home Loan Bank 2.429%, 11/20/19	900	891
Federal Home Loan Bank 2.43%, 7/15/19	1,451	1,450
Federal Home Loan Bank 2.443%, 7/25/19	145	145
Federal Home Loan Bank 2.465%, 7/24/19	600	599
Federal Home Loan Bank 2.483%, 8/20/19	200	199

	Par	\$ Value
(Amounts in 000s)		
Federal Home Loan Bank, FRN, 3M USD LIBOR + (0.27)%, 2.313%, 7/30/19	1,000	1,000
Federal Home Loan Bank, FRN, 3M USD LIBOR + (0.163)%, 2.435%, 7/5/19	1,560	1,560
Federal Home Loan Mortgage 1.30%, 8/28/19	100	100
Federal National Mortgage Assn. 2.307%, 8/14/19	657	655
<b>Total U.S. Government Agency Debt (Cost \$21,720)</b>		<b>21,720</b>
<b>U.S. GOVERNMENT AGENCY REPURCHASE AGREEMENTS 16.5% (2)</b>		
Credit Agricole, Tri-Party, Dated 6/28/19, 2.48%, Delivery Value of \$5,801,199 on 7/1/19, Collateralized by U.S. Government securities, 4.00%, 9/1/48 - 12/1/48, valued at \$5,916,000	5,800	5,800
<b>Total U.S. Government Agency Repurchase Agreements (Cost \$5,800)</b>		<b>5,800</b>
<b>U.S. TREASURY DEBT 21.2%</b>		
U.S. Treasury Bills 2.051%, 12/26/19	800	792
U.S. Treasury Bills 2.112%, 8/20/19	600	598
U.S. Treasury Bills 2.399%, 7/18/19	300	300
U.S. Treasury Bills 2.415%, 7/25/19	800	799
U.S. Treasury Bills 2.445%, 9/26/19	300	298
U.S. Treasury Bills 2.47%, 8/8/19	800	798
U.S. Treasury Bills 2.481%, 8/1/19	700	699
U.S. Treasury Bills 2.481%, 8/15/19	500	498
U.S. Treasury Bills 2.486%, 8/22/19	500	498
U.S. Treasury Bills 2.486%, 8/29/19	400	398
U.S. Treasury Bills 2.486%, 9/12/19	400	398



	Par	\$ Value
(Amounts in 000s)		
U.S. Treasury Bills		
2.491%, 9/5/19	400	398
U.S. Treasury Notes		
1.375%, 7/31/19	300	300
U.S. Treasury Notes		
8.125%, 8/15/19	708	713
<b>Total U.S. Treasury Debt</b>		
<b>(Cost \$7,487)</b>		<b>7,487</b>

	\$ Value
(Amounts in 000s)	
<b>Total Investments in Securities</b>	
<b>99.4% of Net Assets (Cost \$35,007)</b>	<b>\$ 35,007</b>

‡ 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.

(2) Collateralized by U.S. government securities valued at \$5,916 at June 30, 2019.

3M USD LIBOR Three month USD LIBOR (London interbank offered rate)

3M UST Three month U.S. Treasury bill yield

FRN Floating Rate Note

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

T. ROWE PRICE GOVERNMENT MONEY PORTFOLIO

June 30, 2019 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$35,007)	\$	35,007
Cash		240
Interest receivable		39
Receivable for shares sold		12
Total assets		<u>35,298</u>

**Liabilities**

Investment management and administrative fees payable		42
Payable for shares redeemed		30
Total liabilities		<u>72</u>

**NET ASSETS**

**\$ 35,226**

**Net Assets Consist of:**

Paid-in capital applicable to 35,207,522 shares of \$0.0001 par value capital stock outstanding;		
1,000,000,000 shares of the Corporation authorized	\$	35,226

**NET ASSETS**

**\$ 35,226**

**NET ASSET VALUE PER SHARE**

**\$ 1.00**

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

Unaudited

**STATEMENT OF OPERATIONS**

(\$000s)

	6 Months Ended 6/30/19
<b>Investment Income (Loss)</b>	
Interest income	\$ 420
Investment management and administrative expense	94
Net investment income	326
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 326</b>

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

Unaudited

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 <sup>(1)</sup>
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 326	\$ 437
Distributions to shareholders		
Net earnings	(326)	(437)
Capital share transactions *		
Shares sold	4,734	12,650
Distributions reinvested	325	437
Shares redeemed	(4,422)	(11,816)
Increase in net assets from capital share transactions	637	1,271
<b>Net Assets</b>		
Increase during period	637	1,271
Beginning of period	34,589	33,318
<b>End of period</b>	<b>\$ 35,226</b>	<b>\$ 34,589</b>

\*Capital share transactions at net asset value of \$1.00 per share.

<sup>(1)</sup> Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

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. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

**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. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared daily and paid monthly. 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, 2019, all of the fund's financial instruments were classified as Level 2 in the fair value hierarchy.

### **NOTE 3 - OTHER INVESTMENT TRANSACTIONS**

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

**Repurchase Agreements** The fund may engage in repurchase agreements, pursuant to which it pays cash to and receives securities from a counterparty that agrees to "repurchase" the securities at a specified time, typically within seven business days, for a specified price. The fund enters into such agreements with well-established securities dealers or banks that are members of the Federal Reserve System and are on Price Associates' approved list. All repurchase agreements are fully collateralized by U.S. government or related agency securities, which are held by the custodian designated by the agreement. Collateral is evaluated daily to ensure that its market value exceeds the delivery value of the repurchase agreements at maturity. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its value and a possible loss of income or value if the counterparty fails to perform in accordance with the terms of the agreement.

### **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, 2019, the cost of investments for federal income tax purposes was \$35,007,000.

### **NOTE 5 - RELATED PARTY TRANSACTIONS**

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

Price Associates may voluntarily waive all or a portion of its management fee and reimburse operating expenses to the extent necessary for the fund to maintain a zero or positive net yield (voluntary waiver). Any amounts waived/paid by Price Associates under this voluntary agreement are not subject to repayment by the fund. Price Associates may amend or terminate this voluntary arrangement at any time without prior notice. For the six months ended June 30, 2019, the fund had no voluntary waivers.

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, 2019, 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**

Effective for reporting periods on or after March 1, 2019, a fund, except a money market fund, files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, a fund, including a money market fund, filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A money market fund files detailed month-end portfolio holdings information on Form N-MFP with the SEC each month and posts a complete schedule of portfolio holdings on its website (troweprice.com) as of each month-end for the previous six months. A fund's Forms N-PORT, N-MFP and N-Q are available electronically on the SEC's website (sec.gov).



**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 11–12, 2019 (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, 2018, 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 fifth quintile (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, 2019

T. ROWE PRICE

# Limited-Term Bond Portfolio

For more insights from T. Rowe Price investment professionals,  
go to **[troweprice.com](http://troweprice.com)**.



INVEST WITH CONFIDENCE®

## HIGHLIGHTS

- The Limited-Term Bond Portfolio outperformed its benchmark and its Lipper peer group average in the six months ended June 30, 2019.
- 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 offers higher yields than Treasury securities and is generally less volatile than corporate bond holdings.
- We believe that the macroeconomic environment and corporate fundamentals remain reasonably supportive of risk assets; however, expectations for U.S. and global growth have fallen, and corporate debt levels remain historically high.

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### TO ENROLL:

If you invest directly with T. Rowe Price, go to **[troweprice.com/paperless](https://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.\*

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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

Markets overcame a bout of volatility in May and recorded exceptional returns in the six months ended June 30, 2019. The large-cap S&P 500 Index reached record highs and notched its best start to a year in over two decades. Overseas equity markets were also strong, while bond prices rose as longer-term interest rates fell to their lowest levels since late 2016.

Markets rebounded to start the year, as many of the worries behind the sell-off in late 2018 receded. Investors seemed most relieved by a dovish pivot in monetary policy. The S&P 500 scored its best daily gain for the period on January 4, after Federal Reserve Chair Jerome Powell pledged that the central bank would respond with all the tools at its disposal to counteract an economic downturn or financial turmoil. The Fed soon paused and kept rates steady following a series of quarterly hikes stretching back to late 2017.

Investors also seemed comforted by progress in U.S.-China trade relations. In March, President Donald Trump postponed a threatened tariff increase on Chinese goods and remarked that the two sides were “getting very close” to a deal. Encouraging statements continued to flow from the White House, and speculation grew that Chinese President Xi Jinping would soon visit Washington to sign an agreement.

Hopes for a deal were dashed in early May, however, sending stocks sharply lower. With negotiations at a standstill, on May 10, the administration increased the tariff rate to 25% from 10% on \$200 billion in Chinese goods, as the president had long threatened. China soon retaliated with its own tariffs. A technological “cold war” also seemed to be developing, with both sides taking measures to cut off the other’s access to key components and raw materials. Stocks fell sharply in response, and the small- and mid-cap indexes moved back into correction territory, or down more than 10% from the highs they established late in the previous summer.

Another turn in trade policy in June helped stocks recover their losses. The White House abandoned an earlier threat to put tariffs on Mexican imports in response to immigration issues, and President Trump again softened his stance on China. Markets were closed on the final weekend of the month, when the president announced that he and President Xi had agreed to resume trade negotiations and arranged a truce that would at least temporarily prevent the imposition of further tariffs.

An even bigger factor in the June rebound appeared to be growing confidence that the Fed would cut interest rates rather than merely keep them steady. Fed Chair Powell pledged that policymakers were paying close attention to the impact of trade tensions on the economy and would “act as appropriate to sustain the expansion.” Policymakers also dropped references to being “patient” in adjusting monetary policy. By the end of the month, futures markets were pricing in 75 basis points (0.75 percentage point) of cuts in the second half of the year, with a reasonable chance of more to come in 2020.

The dovish shift in Fed policy has been driven by accumulating evidence of slowing global growth. Rising trade barriers have taken a heavy toll on the global manufacturing sector, and business investment has pulled back as managers confront additional sources of uncertainty, such as the possibility of a disorderly Brexit this October. As a result, corporate earnings growth has stalled in the U.S. and turned negative in other major markets. On the positive side, consumers remain in much better shape, particularly domestically.

We see little evidence to suggest a recession is on the horizon. Indeed, with markets at all-time highs, investors seem willing to bet that this decade-long economic recovery still has legs. We will keep a close eye on developments and rely on our careful fundamental research to avoid pitfalls; I am confident our strategic investing approach will continue to serve our shareholders well.

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 fluctuations in principal value.

## FUND COMMENTARY

### How did the fund perform in the past six months?

The Limited-Term Bond Portfolio returned 2.93% in the six months ended June 30, 2019, outperforming its benchmark, the Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index and its Lipper peer group average. (Returns for II Class shares varied slightly, reflecting their different fee structure. *Past performance cannot guarantee future results.*)

#### PERFORMANCE COMPARISON

	Total Return
Six-Month Period Ended 6/30/19	
Limited-Term Bond Portfolio	2.93%
Limited-Term Bond Portfolio-II	2.81
Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index	2.71
Lipper Variable Annuity Underlying Short Investment Grade Debt Funds Average	2.67

### What factors influenced the fund's performance?

Sector allocation was a top contributor to the fund's relative performance. Our overweight to corporate bonds and corresponding underweight to U.S. Treasuries benefited relative results, especially during periods of positive risk sentiment.

Also boosting returns was our inclusion of non-benchmark positions in commercial mortgage-backed securities, asset-backed securities, and mortgage-backed securities, which benefited from still-solid consumer fundamentals and attractive relative-value opportunities. Security selection among short-dated BBB rated names, including **QVC**, **Keysight Technologies**, and **Shire Acquisitions Investments Ireland**, detracted from relative performance. (Please refer to the fund's portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

During the period, we maintained a relatively neutral duration posture compared with the benchmark, which resulted in slightly positive performance versus the benchmark. (Duration measures a bond's or a bond fund's sensitivity to changes in interest rates.)

While we are primarily a cash bond manager, we occasionally make limited use of derivatives in our strategy for hedging purposes. These derivatives may include futures and options as well as credit default and interest rate swaps. In the last six months, we used derivatives primarily to manage our interest rate and duration exposure.

### 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 advantage over Treasuries. At the end of the reporting period, 35% 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 changes in interest 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 recent periods of volatility, we redeployed the proceeds of our maturing short-term bond holdings into corporate bonds that offered attractive pricing.

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, we have maintained a neutral duration and yield curve position in relation to the benchmark. We are hesitant to shorten our duration position any further, as a sharp move lower in rates could prove violent.

#### CREDIT QUALITY DIVERSIFICATION

	Percent of Net Assets	
	12/31/18	6/30/19
Quality Rating		
U.S. Government Agency Securities*	8%	8%
U.S. Treasury**	11	13
AAA	18	18
AA	6	5
A	17	18
BBB	33	35
BB and Below	7	4
Not Rated	0	0
Reserves	0	-1
<b>Total</b>	<b>100%</b>	<b>100%</b>

\*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).

\*\*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?**

We believe that the macroeconomic environment and corporate fundamentals remain reasonably supportive of risk assets; however, expectations for U.S. and global growth have fallen, and corporate debt levels remain historically high. Acknowledging global economic slowing, central banks have become increasingly dovish; their assurances to keep rates low to support growth have pushed yields lower globally. While this changed stance has given more support to riskier assets, our outlook for the coming months remains somewhat guarded, which is reflected in the portfolio's relatively defensive profile.

Despite more accommodative central banks, global risks remain and could quickly spark a sell-off in securities with credit risk. Amid such uncertainty, we anticipate maintaining the portfolio's defensive positioning with holdings skewed toward shorter-maturity bonds as well as defensive securitized sectors. In such an environment, sector allocation, as well as credit selection, will be increasingly important.

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**

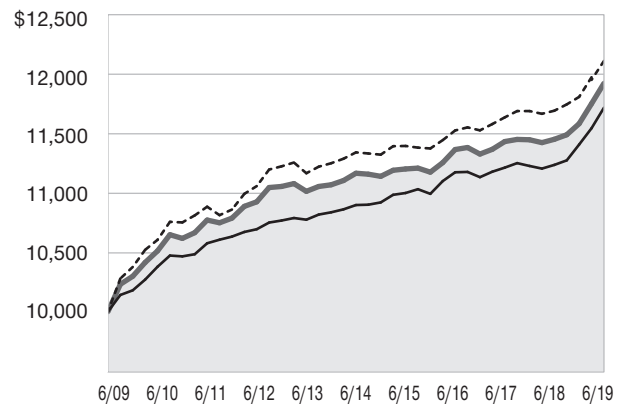
Funds that invest in fixed income securities are subject to price declines due to rising interest rates, with long-term securities generally most sensitive to rate fluctuations. Other risks include credit rating downgrades and defaults on scheduled interest and principal payments. Mortgage-backed securities 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**

Note: Bloomberg Index Services Ltd. Copyright © 2019, Bloomberg Index Services Ltd. Used with permission.

**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**

—	Limited-Term Bond Portfolio	\$11,917
---	Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index	11,712
---	Lipper Variable Annuity Underlying Short Investment Grade Debt Funds Average	12,127

Note: Performance for the II Class will vary due to its differing fee structure. See the Average Annual Compound Total Return table.

**AVERAGE ANNUAL COMPOUND TOTAL RETURN**

Periods Ended 6/30/19	1 Year	5 Years	10 Years
Limited-Term Bond Portfolio	4.11%	1.32%	1.77%
Limited-Term Bond Portfolio-II	3.85	1.07	1.46

*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.

**LIMITED-TERM BOND PORTFOLIO**

	<b>Beginning Account Value 1/1/19</b>	<b>Ending Account Value 6/30/19</b>	<b>Expenses Paid During Period* 1/1/19 to 6/30/19</b>
<b>Limited-Term Bond Portfolio</b>			
Actual	\$1,000.00	\$1,029.30	\$2.52
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.32	2.51
<b>Limited-Term Bond Portfolio-II</b>			
Actual	1,000.00	1,028.10	3.77
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.08	3.76

\*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 0.50%, and the Limited-Term Bond Portfolio-II was 0.75%.

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

Unaudited

**FINANCIAL HIGHLIGHTS**

For a share outstanding throughout each period

**Limited-Term Bond Class**

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 4.78	\$ 4.82	\$ 4.84	\$ 4.84	\$ 4.88	\$ 4.91
Investment activities						
Net investment income <sup>(1) (2)</sup>	0.06	0.09	0.06	0.05	0.04	0.05
Net realized and unrealized gain / loss	0.08	(0.03)	(0.01)	0.02	(0.02)	(0.02)
Total from investment activities	0.14	0.06	0.05	0.07	0.02	0.03
Distributions						
Net investment income	(0.06)	(0.10)	(0.07)	(0.07)	(0.06)	(0.06)
<b>NET ASSET VALUE</b>						
End of period	\$ 4.86	\$ 4.78	\$ 4.82	\$ 4.84	\$ 4.84	\$ 4.88

**Ratios/Supplemental Data**

<b>Total return<sup>(2) (3)</sup></b>	<b>2.93%</b>	<b>1.18%</b>	<b>1.05%</b>	<b>1.37%</b>	<b>0.31%</b>	<b>0.64%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.50% <sup>(4)</sup>	0.60%	0.70%	0.70%	0.70%	0.70%
Net expenses after waivers/payments by Price Associates	0.50% <sup>(4)</sup>	0.60%	0.70%	0.70%	0.70%	0.70%
Net investment income	2.44% <sup>(4)</sup>	1.93%	1.29%	1.05%	0.82%	1.00%
Portfolio turnover rate	24.5%	52.6%	55.9%	58.0%	89.2%	117.0%
Net assets, end of period (in thousands)	\$ 452,039	\$ 434,175	\$ 443,270	\$ 390,964	\$ 420,125	\$ 261,935

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(4)</sup> 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 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 4.76	\$ 4.80	\$ 4.82	\$ 4.82	\$ 4.86	\$ 4.89
Investment activities						
Net investment income <sup>(1) (2)</sup>	0.05	0.08	0.05	0.04	0.03	0.04
Net realized and unrealized gain / loss	0.08	(0.04)	(0.01)	0.01	(0.03)	(0.02)
Total from investment activities	0.13	0.04	0.04	0.05	-	0.02
Distributions						
Net investment income	(0.05)	(0.08)	(0.06)	(0.05)	(0.04)	(0.05)
<b>NET ASSET VALUE</b>						
End of period	\$ 4.84	\$ 4.76	\$ 4.80	\$ 4.82	\$ 4.82	\$ 4.86

**Ratios/Supplemental Data**

<b>Total return<sup>(2) (3)</sup></b>	<b>2.81%</b>	<b>0.93%</b>	<b>0.81%</b>	<b>1.12%</b>	<b>0.06%</b>	<b>0.39%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.75% <sup>(4)</sup>	0.84%	0.95%	0.95%	0.95%	0.95%
Net expenses after waivers/payments by Price Associates	0.75% <sup>(4)</sup>	0.84%	0.95%	0.95%	0.95%	0.95%
Net investment income	2.19% <sup>(4)</sup>	1.72%	1.09%	0.77%	0.62%	0.81%
Portfolio turnover rate	24.5%	52.6%	55.9%	58.0%	89.2%	117.0%
Net assets, end of period (in thousands)	\$ 11,662	\$ 15,247	\$ 7,378	\$ 9,979	\$ 11,043	\$ 8,224

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(4)</sup> Annualized

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

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

June 30, 2019 (Unaudited)

**PORTFOLIO OF INVESTMENTS<sup>†</sup>**

**Par/Shares      \$ Value**

(Amounts in 000s)

**CORPORATE BONDS 49.4%**

**Financial Institutions 17.7%**

**Banking 11.8%**

ABN AMRO Bank, FRN, 3M USD LIBOR + 0.57%, 3.091%, 8/27/21 (1)	1,105	1,108
American Express 3.00%, 2/22/21	780	788
American Express Credit 2.20%, 3/3/20	1,030	1,029
American Express Credit 2.375%, 5/26/20	160	160
ANZ New Zealand International 2.20%, 7/17/20 (1)	550	549
Banco de Credito del Peru 2.25%, 10/25/19 (1)	200	200
Banco Santander 2.50%, 12/15/20 (1)	1,285	1,293
Banco Santander, FRN, 3M USD LIBOR + 1.12%, 3.724%, 4/12/23	600	596
Bank of America 2.503%, 10/21/22	435	436
Bank of America 2.625%, 4/19/21	535	538
Bank of America, FRN, 3M USD LIBOR + 0.38%, 2.972%, 1/23/22	610	608
Bank of America, FRN, 3M USD LIBOR + 0.65%, 2.999%, 6/25/22	590	591
Bank of America, FRN, 3M USD LIBOR + 1.16%, 3.752%, 1/20/23	995	1,008
Bank of Montreal, FRN, 3M USD LIBOR + 0.46%, 3.057%, 4/13/21	730	733
Banque Federative du Credit Mutuel 2.20%, 7/20/20 (1)	625	625
Barclays 2.75%, 11/8/19	1,215	1,216
Barclays, FRN, 3M USD LIBOR + 1.625%, 4.209%, 1/10/23	475	476
Barclays Bank 2.65%, 1/11/21	665	665
BB&T 2.15%, 2/1/21	860	858

**Par/Shares      \$ Value**

(Amounts in 000s)

BPCE 2.50%, 7/15/19	440	440
BPCE, FRN, 3M USD LIBOR + 1.22%, 3.743%, 5/22/22 (1)	400	403
Capital One 2.35%, 1/31/20	940	940
Capital One Financial 2.40%, 10/30/20	575	575
Capital One Financial 2.50%, 5/12/20	250	250
Capital One Financial 3.90%, 1/29/24	360	378
Citibank 2.125%, 10/20/20	1,080	1,078
Citibank, VR, 2.844%, 5/20/22 (2)	890	895
Citigroup 2.90%, 12/8/21	990	1,000
Citigroup, FRN, 3M USD LIBOR + 0.79%, 3.374%, 1/10/20	1,005	1,008
Citizens Bank 2.25%, 3/2/20	455	455
Citizens Bank 2.25%, 10/30/20	250	249
Citizens Bank 2.45%, 12/4/19	250	250
Citizens Bank 2.55%, 5/13/21	390	391
Citizens Bank 3.25%, 2/14/22	435	443
Cooperatieve Rabobank 3.95%, 11/9/22	935	967
Credit Agricole, FRN, 3M USD LIBOR + 1.02%, 3.601%, 4/24/23 (1)	470	468
Credit Suisse 5.40%, 1/14/20	220	223
Credit Suisse Group Funding Guernsey 2.75%, 3/26/20	500	501
Danske Bank 2.20%, 3/2/20 (1)	1,115	1,111
Deutsche Bank, FRN, 3M USD LIBOR + 1.29%, 3.855%, 2/4/21	610	603
Discover Bank 3.10%, 6/4/20	310	312
Discover Bank 7.00%, 4/15/20	1,555	1,608

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
First Niagara Financial Group		
7.25%, 12/15/21	370	410
Goldman Sachs Group		
2.30%, 12/13/19	500	500
Goldman Sachs Group		
5.375%, 3/15/20	295	301
Goldman Sachs Group		
5.75%, 1/24/22	555	598
Goldman Sachs Group		
6.00%, 6/15/20	90	93
Goldman Sachs Group, FRN,		
3M USD LIBOR + 0.78%, 3.363%,		
10/31/22	750	750
Goldman Sachs Group, FRN,		
3M USD LIBOR + 1.11%, 3.696%,		
4/26/22	750	756
HSBC Holdings, FRN,		
3M USD LIBOR + 0.60%, 3.12%,		
5/18/21	805	806
HSBC USA		
2.35%, 3/5/20	690	690
Huntington National Bank		
2.375%, 3/10/20	1,020	1,020
ING Groep, FRN,		
3M USD LIBOR + 1.15%, 3.48%,		
3/29/22	480	485
JPMorgan Chase		
2.25%, 1/23/20	800	800
JPMorgan Chase		
4.25%, 10/15/20	275	282
JPMorgan Chase		
4.40%, 7/22/20	170	174
JPMorgan Chase		
4.95%, 3/25/20	225	229
JPMorgan Chase, FRN,		
3M USD LIBOR + 0.55%, 3.003%,		
3/9/21	990	992
KeyBank		
3.30%, 2/1/22	440	451
Mitsubishi UFJ Financial Group		
3.218%, 3/7/22	820	836
Mitsubishi UFJ Financial Group,		
FRN,		
3M USD LIBOR + 0.65%, 3.236%,		
7/26/21	280	281
Mitsubishi UFJ Financial Group,		
FRN,		
3M USD LIBOR + 0.92%, 3.443%,		
2/22/22	570	574

	Par/Shares	\$ Value
(Amounts in 000s)		
Mitsubishi UFJ Financial Group,		
FRN,		
3M USD LIBOR + 0.86%, 3.446%,		
7/26/23	460	461
Morgan Stanley		
2.75%, 5/19/22	380	384
Morgan Stanley		
5.50%, 1/26/20	355	361
Morgan Stanley		
5.50%, 7/24/20	355	366
Morgan Stanley, FRN,		
3M USD LIBOR + 0.55%, 3.095%,		
2/10/21	900	901
PNC Bank		
2.45%, 11/5/20	650	651
Regions Bank, FRN,		
3M USD LIBOR + 0.38%, 2.972%,		
4/1/21	980	977
Regions Bank, FRN,		
3M USD LIBOR + 0.50%, 3.035%,		
8/13/21	285	285
Royal Bank of Scotland Group		
6.40%, 10/21/19	210	212
Standard Chartered		
2.10%, 8/19/19 (1)	280	280
Standard Chartered, FRN,		
3M USD LIBOR + 1.15%, 3.742%,		
1/20/23 (1)	635	633
Sumitomo Mitsui Trust Bank		
1.95%, 9/19/19 (1)	410	410
SunTrust Bank		
2.80%, 5/17/22	690	699
SunTrust Bank, VR,		
2.59%, 1/29/21 (2)	1,090	1,091
Svenska Handelsbanken		
3.35%, 5/24/21	760	774
Swedbank		
2.65%, 3/10/21 (1)	860	859
Synchrony Financial		
2.70%, 2/3/20	2,265	2,266
UBS Group Funding Switzerland		
2.95%, 9/24/20 (1)	1,015	1,022
UBS Group Funding Switzerland,		
FRN,		
3M USD LIBOR + 1.22%, 3.744%,		
5/23/23 (1)	590	595
US Bank, FRN,		
3M USD LIBOR + 0.32%, 2.906%,		
4/26/21	1,080	1,081
Wells Fargo		
2.55%, 12/7/20	70	70

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Wells Fargo Bank, VR, 3.325%, 7/23/21 (2)	1,335	1,347
		54,778
<b>Brokerage Asset Managers Exchanges 0.1%</b>		
Charles Schwab, FRN, 3M USD LIBOR + 0.32%, 2.842%, 5/21/21	680	680
Legg Mason 2.70%, 7/15/19	45	45
		725
<b>Finance Companies 2.4%</b>		
AerCap Ireland Capital 3.95%, 2/1/22	785	807
AerCap Ireland Capital 4.45%, 12/16/21	660	682
AerCap Ireland Capital 4.625%, 10/30/20	440	451
Air Lease 2.125%, 1/15/20	890	888
Air Lease 2.50%, 3/1/21	200	200
Air Lease 3.50%, 1/15/22	390	399
Avolon Holdings Funding 3.625%, 5/1/22 (1)	655	664
Avolon Holdings Funding 3.95%, 7/1/24 (1)	190	194
Avolon Holdings Funding 5.125%, 10/1/23 (1)	810	858
GATX 2.50%, 7/30/19	485	485
GATX 2.60%, 3/30/20	1,020	1,020
GE Capital International Funding 2.342%, 11/15/20	2,760	2,744
iStar 4.625%, 9/15/20	1,115	1,125
SMBC Aviation Capital Finance 3.55%, 4/15/24 (1)	235	241
SMBC Aviation Capital Finance 4.125%, 7/15/23 (1)	200	209
		10,967
<b>Financial Other 0.3%</b>		
DAE Funding 5.25%, 11/15/21 (1)	1,360	1,416
		1,416

	Par/Shares	\$ Value
(Amounts in 000s)		
<b>Insurance 2.3%</b>		
AIA Group, FRN, 3M USD LIBOR + 0.52%, 2.907%, 9/20/21 (1)	890	889
AIG Global Funding 3.35%, 6/25/21 (1)	525	534
American International Group 2.30%, 7/16/19	520	520
American International Group 4.875%, 6/1/22	485	519
American International Group 6.40%, 12/15/20	260	275
Anthem 2.50%, 11/21/20	475	476
Aon 2.80%, 3/15/21	970	976
Aon 5.00%, 9/30/20	95	98
Humana 2.625%, 10/1/19	745	745
Humana 2.90%, 12/15/22	120	122
Humana 3.15%, 12/1/22	220	224
Humana 3.85%, 10/1/24	40	42
Lincoln National 4.00%, 9/1/23	195	206
Marsh & McLennan 3.50%, 12/29/20	535	544
Marsh & McLennan 3.875%, 3/15/24	505	535
New York Life Global Funding, FRN, 3M USD LIBOR + 0.32%, 2.885%, 8/6/21 (1)	850	851
Principal Life Global Funding II 2.20%, 4/8/20 (1)	1,545	1,542
Reinsurance Group of America 5.00%, 6/1/21	90	94
Reinsurance Group of America 6.45%, 11/15/19	810	822
Trinity Acquisition 3.50%, 9/15/21	450	456
		10,470
<b>Real Estate Investment Trusts 0.8%</b>		
American Campus Communities Operating Partnership 3.35%, 10/1/20	822	829

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Brixmor Operating Partnership		
3.875%, 8/15/22	115	119
Highwoods Realty		
3.625%, 1/15/23	360	368
Starwood Property Trust		
3.625%, 2/1/21	1,070	1,069
Ventas Realty		
3.10%, 1/15/23	125	127
WEA Finance		
2.70%, 9/17/19 (1)	1,110	1,110
		3,622
Total Financial Institutions		81,978
<b>Industrial 28.6%</b>		
<b>Basic Industry 2.6%</b>		
Anglo American Capital		
3.75%, 4/10/22 (1)	200	204
Anglo American Capital		
4.125%, 9/27/22 (1)	430	447
ArcelorMittal, STEP,		
5.25%, 8/5/20	2,110	2,163
ArcelorMittal, STEP,		
5.50%, 3/1/21	925	961
Celulosa Arauco y Constitucion		
7.25%, 7/29/19	595	598
DuPont de Nemours		
3.766%, 11/15/20	765	779
International Flavors & Fragrances		
3.40%, 9/25/20	285	288
INVISTA Finance		
4.25%, 10/15/19 (1)	1,480	1,485
LyondellBasell Industries		
6.00%, 11/15/21	415	443
Packaging Corp of America		
2.45%, 12/15/20	410	410
Sherwin-Williams		
2.25%, 5/15/20	2,010	2,006
Solvay Finance America		
3.40%, 12/3/20 (1)	705	712
Southern Copper		
5.375%, 4/16/20	145	148
Vale Overseas		
4.375%, 1/11/22	1,075	1,113
		11,757
<b>Capital Goods 2.5%</b>		
Boral Finance		
3.00%, 11/1/22 (1)	100	100

	Par/Shares	\$ Value
(Amounts in 000s)		
Caterpillar Financial Services		
2.95%, 2/26/22	740	756
Caterpillar Financial Services, FRN,		
3M USD LIBOR + 0.28%, 2.752%, 9/7/21	415	415
CNH Industrial Capital		
3.375%, 7/15/19	375	375
CNH Industrial Capital		
3.875%, 10/15/21	680	695
CNH Industrial Capital		
4.375%, 11/6/20	1,775	1,811
General Dynamics, FRN,		
3M USD LIBOR + 0.29%, 2.825%, 5/11/20	225	225
General Dynamics, FRN,		
3M USD LIBOR + 0.38%, 2.915%, 5/11/21	380	381
Martin Marietta Materials, FRN,		
3M USD LIBOR + 0.50%, 2.887%, 12/20/19	445	445
Martin Marietta Materials, FRN,		
3M USD LIBOR + 0.65%, 3.173%, 5/22/20	215	215
Northrop Grumman		
2.08%, 10/15/20	1,105	1,103
Northrop Grumman		
2.55%, 10/15/22	500	502
Rockwell Collins		
1.95%, 7/15/19	300	300
Roper Technologies		
3.00%, 12/15/20	345	347
Roper Technologies		
3.125%, 11/15/22	945	960
Roper Technologies		
3.65%, 9/15/23	195	203
United Technologies, FRN,		
3M USD LIBOR + 0.65%, 3.175%, 8/16/21	520	520
Vulcan Materials, FRN,		
3M USD LIBOR + 0.60%, 3.01%, 6/15/20	520	518
Vulcan Materials, FRN,		
3M USD LIBOR + 0.65%, 3.17%, 3/1/21	1,130	1,130
Waste Management		
2.95%, 6/15/24	290	297
		11,298
<b>Communications 2.5%</b>		
America Movil		
5.00%, 3/30/20	308	314



T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Charter Communications Operating		
3.579%, 7/23/20	920	928
Charter Communications Operating		
4.464%, 7/23/22	1,610	1,690
Comcast		
3.70%, 4/15/24	1,175	1,247
Crown Castle International		
2.25%, 9/1/21	385	383
Crown Castle International		
3.40%, 2/15/21	600	608
Crown Castle Towers		
3.72%, 7/15/23 (1)	385	396
Discovery Communications		
2.20%, 9/20/19	380	379
Fox		
3.666%, 1/25/22 (1)	180	186
Fox		
4.03%, 1/25/24 (1)	215	228
Interpublic Group		
3.50%, 10/1/20	205	207
NBCUniversal Media		
5.15%, 4/30/20	1,060	1,084
Omnicom Group		
4.45%, 8/15/20	500	511
RELX Capital		
3.50%, 3/16/23	400	413
SBA Tower Trust		
2.898%, 10/15/19 (1)	1,640	1,641
SBA Tower Trust		
3.448%, 3/15/23 (1)	620	634
Vodafone Group		
3.75%, 1/16/24	465	486
Weibo		
3.50%, 7/5/24	245	246
		11,581
<b>Consumer Cyclical 4.9%</b>		
Alibaba Group Holding		
2.50%, 11/28/19	1,480	1,481
Alibaba Group Holding		
3.60%, 11/28/24	455	475
BMW US Capital, FRN,		
3M USD LIBOR + 0.41%, 3.014%,		
4/12/21 (1)	770	771
BMW US Capital, FRN,		
3M USD LIBOR + 0.50%, 3.035%,		
8/13/21 (1)	575	578
Daimler Finance North America		
1.75%, 10/30/19 (1)	705	703
Daimler Finance North America		
2.30%, 2/12/21 (1)	1,090	1,085

	Par/Shares	\$ Value
(Amounts in 000s)		
Dollar Tree, FRN,		
3M USD LIBOR + 0.70%, 3.288%,		
4/17/20	865	865
DR Horton		
2.55%, 12/1/20	365	365
eBay		
2.15%, 6/5/20	540	539
Expedia Group		
5.95%, 8/15/20	233	241
Ford Motor Credit		
2.343%, 11/2/20	400	397
Ford Motor Credit		
2.459%, 3/27/20	355	353
Ford Motor Credit		
2.681%, 1/9/20	1,205	1,204
Ford Motor Credit		
3.157%, 8/4/20	625	627
Ford Motor Credit		
3.47%, 4/5/21	290	292
Ford Motor Credit, FRN,		
3M USD LIBOR + 0.93%, 3.273%,		
9/24/20	1,340	1,338
General Motors Financial		
3.20%, 7/13/20	1,080	1,085
General Motors Financial, FRN,		
3M USD LIBOR + 0.85%, 3.442%,		
4/9/21	515	515
GLP Capital		
4.875%, 11/1/20	680	692
Harley-Davidson Financial Services		
4.05%, 2/4/22 (1)	660	681
Harley-Davidson Financial Services,		
FRN,		
3M USD LIBOR + 0.50%, 3.022%,		
5/21/20 (1)	550	550
Harley-Davidson Financial Services,		
FRN,		
3M USD LIBOR + 0.94%, 3.46%,		
3/2/21 (1)	695	696
Hyundai Capital America		
1.75%, 9/27/19 (1)	495	494
Hyundai Capital America		
2.00%, 7/1/19 (1)	580	580
Hyundai Capital America		
3.00%, 6/20/22 (1)	670	672
JD.com		
3.125%, 4/29/21	1,130	1,134
McDonald's		
3.35%, 4/1/23	445	461
Nissan Motor Acceptance		
1.55%, 9/13/19 (1)	525	524

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Nissan Motor Acceptance 2.15%, 9/28/20 (1)	755	751
Nissan Motor Acceptance 3.65%, 9/21/21 (1)	295	301
O'Reilly Automotive 3.80%, 9/1/22	285	295
PACCAR Financial 3.10%, 5/10/21	865	879
Royal Caribbean Cruises 2.65%, 11/28/20	185	185
Starbucks 2.70%, 6/15/22	295	298
Volkswagen Group of America Finance 3.875%, 11/13/20 (1)	685	698
		22,805
<b>Consumer Non-Cyclical 9.1%</b>		
Abbott Laboratories 2.90%, 11/30/21	725	737
AbbVie 2.30%, 5/14/21	640	638
AbbVie 2.90%, 11/6/22	535	541
AbbVie 3.20%, 11/6/22	120	122
Allergan Finance 3.25%, 10/1/22	115	117
Altria Group 3.49%, 2/14/22	360	369
Altria Group 3.80%, 2/14/24	920	958
AmerisourceBergen 3.50%, 11/15/21	440	449
BAT Capital 2.297%, 8/14/20	1,775	1,770
BAT Capital 2.764%, 8/15/22	783	784
Baxalta 3.60%, 6/23/22	190	194
Bayer US Finance II 3.50%, 6/25/21 (1)	450	458
Bayer US Finance II, FRN, 3M USD LIBOR + 0.63%, 2.979%, 6/25/21 (1)	850	845
Becton Dickinson & Company 2.404%, 6/5/20	785	784
Becton Dickinson & Company 2.675%, 12/15/19	1,360	1,360
Becton Dickinson & Company 2.894%, 6/6/22	485	491

	Par/Shares	\$ Value
(Amounts in 000s)		
Becton Dickinson & Company, FRN, 3M USD LIBOR + 0.875%, 3.476%, 12/29/20	236	236
Biogen 2.90%, 9/15/20	445	447
Bristol-Myers Squibb 2.60%, 5/16/22 (1)	300	303
Bristol-Myers Squibb 2.90%, 7/26/24 (1)	610	623
Bunge Ltd. Finance 3.00%, 9/25/22	285	286
Bunge Ltd. Finance 3.50%, 11/24/20	1,745	1,763
Campbell Soup, FRN, 3M USD LIBOR + 0.50%, 2.91%, 3/16/20	700	699
Celgene 2.75%, 2/15/23	435	439
Celgene 2.875%, 2/19/21	800	806
Celgene 3.25%, 2/20/23	135	139
Celgene 3.55%, 8/15/22	430	445
Celgene 3.625%, 5/15/24	115	120
Cigna 3.40%, 9/17/21 (1)	255	260
Cigna 3.75%, 7/15/23 (1)	475	494
Cigna, FRN, 3M USD LIBOR + 0.65%, 3.06%, 9/17/21 (1)	455	455
Conagra Brands, FRN, 3M USD LIBOR + 0.75%, 3.342%, 10/22/20	315	315
CVS Health 3.125%, 3/9/20	575	577
CVS Health 3.35%, 3/9/21	930	943
CVS Health 3.70%, 3/9/23	620	640
CVS Health, FRN, 3M USD LIBOR + 0.63%, 3.083%, 3/9/20	430	431
CVS Health, FRN, 3M USD LIBOR + 0.72%, 3.173%, 3/9/21	475	477
Danone 1.691%, 10/30/19 (1)	1,655	1,649

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Elanco Animal Health 3.912%, 8/27/21	450	461
Elanco Animal Health 4.272%, 8/28/23	300	315
EMD Finance 2.40%, 3/19/20 (1)	2,325	2,322
EMD Finance 2.95%, 3/19/22 (1)	275	277
Express Scripts Holding, FRN, 3M USD LIBOR + 0.75%, 3.274%, 11/30/20	1,100	1,100
General Mills, FRN, 3M USD LIBOR + 0.54%, 3.141%, 4/16/21	670	671
HCA 4.25%, 10/15/19	235	236
HCA 6.50%, 2/15/20	1,020	1,044
Imperial Brands Finance 2.95%, 7/21/20 (1)	265	266
Johnson & Johnson 1.95%, 11/10/20	340	340
Keurig Dr Pepper 3.551%, 5/25/21	670	683
Kroger 1.50%, 9/30/19	399	398
Life Technologies 5.00%, 1/15/21	1,948	2,010
McKesson 3.65%, 11/30/20	965	980
Medco Health Solutions 4.125%, 9/15/20	515	524
Molson Coors Brewing 2.25%, 3/15/20	430	429
Pernod Ricard 4.45%, 1/15/22 (1)	765	800
Perrigo Finance Unlimited 3.50%, 12/15/21	400	397
Shire Acquisitions Investments Ireland 1.90%, 9/23/19	3,135	3,130
Shire Acquisitions Investments Ireland 2.875%, 9/23/23	80	81
Takeda Pharmaceutical 3.80%, 11/26/20 (1)	570	580
Teva Pharmaceutical Finance Netherlands III 1.70%, 7/19/19	1,613	1,611

	Par/Shares	\$ Value
(Amounts in 000s)		
Teva Pharmaceutical Finance Netherlands III 2.20%, 7/21/21	60	57
Tyson Foods 2.25%, 8/23/21	405	404
		42,280
<b>Energy 2.4%</b>		
Cenovus Energy 3.00%, 8/15/22	790	793
Cenovus Energy 5.70%, 10/15/19	887	893
Columbia Pipeline Group 3.30%, 6/1/20	785	790
Energy Transfer Operating 4.25%, 3/15/23	440	459
Eni 4.00%, 9/12/23 (1)	270	281
Enterprise Products Operating 2.55%, 10/15/19	15	15
Enterprise Products Operating 2.80%, 2/15/21	720	724
Enterprise Products Operating 3.50%, 2/1/22	715	734
Marathon Oil 2.70%, 6/1/20	750	750
Phillips 66, FRN, 3M USD LIBOR + 0.60%, 3.121%, 2/26/21	495	494
Plains All American Pipeline 2.60%, 12/15/19	255	255
Plains All American Pipeline 5.75%, 1/15/20	705	715
Sabine Pass Liquefaction, STEP, 5.875%, 2/1/21	1,750	1,818
Schlumberger Holdings 3.75%, 5/1/24 (1)	440	457
Williams 3.35%, 8/15/22	140	143
Williams 5.25%, 3/15/20	1,860	1,894
		11,215
<b>Technology 3.4%</b>		
Avnet 3.75%, 12/1/21	370	377
Baidu 3.50%, 11/28/22	495	507
Baidu 3.875%, 9/29/23	460	477

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Broadcom		
2.375%, 1/15/20	1,110	1,107
Broadcom		
3.00%, 1/15/22	1,040	1,044
DXC Technology, FRN,		
3M USD LIBOR + 0.95%, 3.47%,		
3/1/21	969	968
Equifax		
2.30%, 6/1/21	690	686
Equifax		
3.60%, 8/15/21	390	397
Equifax, FRN,		
3M USD LIBOR + 0.87%, 3.388%,		
8/15/21	420	418
Fidelity National Information Services		
2.25%, 8/15/21	780	778
Fidelity National Information Services		
3.625%, 10/15/20	185	188
Fiserv		
2.75%, 7/1/24	1,145	1,153
Hewlett Packard Enterprise		
2.10%, 10/4/19 (1)	400	399
International Business Machines		
2.50%, 1/27/22	330	332
International Business Machines		
2.85%, 5/13/22	510	518
International Business Machines		
2.875%, 11/9/22	100	102
Jabil		
5.625%, 12/15/20	350	364
Keysight Technologies		
3.30%, 10/30/19	2,635	2,638
Microchip Technology		
3.922%, 6/1/21	580	590
NXP		
4.125%, 6/1/21 (1)	450	460
NXP		
4.625%, 6/1/23 (1)	450	474
Tencent Holdings		
2.875%, 2/11/20 (1)	1,115	1,117
Xerox		
5.625%, 12/15/19	765	772
		15,866
<b>Transportation 1.2%</b>		
American Airlines PTT, Series 2017-		
2, Class B		
3.70%, 10/15/25	499	494
Delta Air Lines		
2.60%, 12/4/20	280	280

	Par/Shares	\$ Value
(Amounts in 000s)		
Delta Air Lines		
2.875%, 3/13/20	1,265	1,263
ERAC USA Finance		
2.35%, 10/15/19 (1)	155	155
Kansas City Southern		
2.35%, 5/15/20	1,325	1,323
Penske Truck Leasing		
3.20%, 7/15/20 (1)	140	141
Penske Truck Leasing		
3.30%, 4/1/21 (1)	680	688
Penske Truck Leasing		
3.65%, 7/29/21 (1)	160	163
Southwest Airlines		
2.75%, 11/6/19	320	320
Union Pacific		
3.20%, 6/8/21	830	845
		5,672
Total Industrial		132,474
<b>Utility 3.1%</b>		
<b>Electric 2.3%</b>		
American Electric Power		
3.65%, 12/1/21	125	129
CenterPoint Energy		
3.60%, 11/1/21	315	323
Dominion Energy, STEP,		
2.579%, 7/1/20	1,661	1,659
Dominion Energy, STEP,		
2.962%, 7/1/19	240	240
Duke Energy		
3.55%, 9/15/21	225	230
Edison International		
2.125%, 4/15/20	810	805
Edison International		
2.40%, 9/15/22	375	354
EDP Finance		
4.125%, 1/15/20 (1)	290	291
EDP Finance		
4.90%, 10/1/19 (1)	867	871
Enel Finance International		
2.875%, 5/25/22 (1)	770	772
Enel Finance International		
4.25%, 9/14/23 (1)	585	614
Exelon Generation		
2.95%, 1/15/20	885	887
Exelon Generation		
5.20%, 10/1/19	136	137
FirstEnergy		
2.85%, 7/15/22	585	591

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
NextEra Energy Capital Holdings, FRN, 3M USD LIBOR + 0.55%, 3.071%, 8/28/21	890	883
NRG Energy 3.75%, 6/15/24 (1)	385	395
PNM Resources 3.25%, 3/9/21	690	695
San Diego Gas & Electric 1.914%, 2/1/22	116	113
Southern 2.35%, 7/1/21	210	209
Vistra Operations 3.55%, 7/15/24 (1)	570	573
		10,771
<b>Natural Gas 0.8%</b>		
CenterPoint Energy Resources 4.50%, 1/15/21	445	457
ENN Energy Holdings 3.25%, 10/23/19	530	531
ENN Energy Holdings 6.00%, 5/13/21 (1)	250	264
Sempra Energy 1.625%, 10/7/19	225	225
Sempra Energy 2.85%, 11/15/20	1,135	1,140
Sempra Energy 2.875%, 10/1/22	390	391
Sempra Energy, FRN, 3M USD LIBOR + 0.50%, 3.097%, 1/15/21	740	736
		3,744
Total Utility		14,515
<b>Total Corporate Bonds (Cost \$227,141)</b>		<b>228,967</b>

**ASSET-BACKED SECURITIES 15.9%**

**Car Loan 8.4%**

Ally Auto Receivables Trust, Series 2016-1, Class D 2.84%, 9/15/22	260	260
Ally Auto Receivables Trust, Series 2017-2, Class C 2.46%, 9/15/22	505	505
Ally Auto Receivables Trust, Series 2017-2, Class D 2.93%, 11/15/23	135	136

	Par/Shares	\$ Value
(Amounts in 000s)		
Ally Master Owner Trust, Series 2018-4, Class A 3.30%, 7/17/23	740	754
AmeriCredit Automobile Receivables Trust, Series 2015-2, Class D 3.00%, 6/8/21	775	776
AmeriCredit Automobile Receivables Trust, Series 2015-3, Class D 3.34%, 8/8/21	460	462
AmeriCredit Automobile Receivables Trust, Series 2016-1, Class C 2.89%, 1/10/22	795	797
AmeriCredit Automobile Receivables Trust, Series 2016-3, Class C 2.24%, 4/8/22	610	609
AmeriCredit Automobile Receivables Trust, Series 2016-3, Class D 2.71%, 9/8/22	545	547
AmeriCredit Automobile Receivables Trust, Series 2016-4, Class A3 1.53%, 7/8/21	132	132
AmeriCredit Automobile Receivables Trust, Series 2016-4, Class D 2.74%, 12/8/22	1,365	1,370
AmeriCredit Automobile Receivables Trust, Series 2017-1, Class C 2.71%, 8/18/22	225	226
AmeriCredit Automobile Receivables Trust, Series 2017-1, Class D 3.13%, 1/18/23	925	935
AmeriCredit Automobile Receivables Trust, Series 2017-3, Class B 2.24%, 6/19/23	265	265
AmeriCredit Automobile Receivables Trust, Series 2017-3, Class C 2.69%, 6/19/23	280	281
AmeriCredit Automobile Receivables Trust, Series 2017-3, Class D 3.18%, 7/18/23	970	981

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
AmeriCredit Automobile Receivables Trust, Series 2018-1, Class D 3.82%, 3/18/24	1,195	1,229
AmeriCredit Automobile Receivables Trust, Series 2018-3, Class A3 3.38%, 7/18/23	1,120	1,142
ARI Fleet Lease Trust, Series 2017-A, Class A2 1.91%, 4/15/26 (1)	65	64
ARI Fleet Lease Trust, Series 2018-A, Class A2 2.55%, 10/15/26 (1)	459	459
Avis Budget Rental Car Funding AESOP, Series 2014-1A, Class A 2.46%, 7/20/20 (1)	38	38
Avis Budget Rental Car Funding AESOP, Series 2014-2A, Class A 2.50%, 2/20/21 (1)	1,920	1,919
Avis Budget Rental Car Funding AESOP, Series 2015-1A, Class A 2.50%, 7/20/21 (1)	600	601
Avis Budget Rental Car Funding AESOP, Series 2017-1A, Class B 3.41%, 9/20/23 (1)	390	397
Avis Budget Rental Car Funding AESOP, Series 2019-1A, Class B 3.70%, 3/20/23 (1)	175	179
Avis Budget Rental Car Funding AESOP, Series 2019-2A, Class A 3.35%, 9/22/25 (1)	475	489
California Republic Auto Receivables Trust, Series 2015-1, Class B 2.51%, 2/16/21	175	175
Capital Auto Receivables Asset Trust, Series 2016-2, Class A4 1.63%, 1/20/21	118	118
Capital Auto Receivables Asset Trust, Series 2017-1, Class B 2.43%, 5/20/22 (1)	110	110
Capital Auto Receivables Asset Trust, Series 2017-1, Class C 2.70%, 9/20/22 (1)	175	175

	Par/Shares	\$ Value
(Amounts in 000s)		
Capital Auto Receivables Asset Trust, Series 2018-2, Class B 3.48%, 10/20/23 (1)	255	259
Capital Auto Receivables Asset Trust, Series 2018-2, Class C 3.69%, 12/20/23 (1)	320	325
CarMax Auto Owner Trust, Series 2015-3, Class D 3.27%, 3/15/22	320	321
CarMax Auto Owner Trust, Series 2015-4, Class D 3.00%, 5/16/22	160	160
CarMax Auto Owner Trust, Series 2016-1, Class A3 1.61%, 11/16/20	84	84
CarMax Auto Owner Trust, Series 2016-4, Class A3 1.40%, 8/15/21	113	113
CarMax Auto Owner Trust, Series 2017-4, Class C 2.70%, 10/16/23	150	150
Chrysler Capital Auto Receivables Trust, Series 2016-BA, Class A3 1.64%, 7/15/21 (1)	36	36
Enterprise Fleet Financing, Series 2016-2, Class A2 1.74%, 2/22/22 (1)	27	27
Enterprise Fleet Financing, Series 2017-1, Class A2 2.13%, 7/20/22 (1)	82	82
Enterprise Fleet Financing, Series 2017-2, Class A2 1.97%, 1/20/23 (1)	127	126
Enterprise Fleet Financing, Series 2017-3, Class A2 2.13%, 5/22/23 (1)	696	695
Enterprise Fleet Financing, Series 2017-3, Class A3 2.36%, 5/20/23 (1)	280	279
Enterprise Fleet Financing, Series 2018-2, Class A2 3.14%, 2/20/24 (1)	585	590
Enterprise Fleet Financing, Series 2019-1, Class A2 2.98%, 10/22/24 (1)	380	384
Ford Credit Auto Lease Trust, Series 2017-A, Class A4 2.02%, 6/15/20	183	183

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Ford Credit Floorplan Master Owner Trust, Series 2016-3, Class B		
1.75%, 7/15/21	285	285
Ford Credit Floorplan Master Owner Trust, Series 2017-2, Class B		
2.34%, 9/15/22	2,260	2,257
GM Financial Automobile Leasing Trust, Series 2017-1, Class A4		
2.26%, 8/20/20	110	110
GM Financial Automobile Leasing Trust, Series 2017-3, Class A4		
2.12%, 9/20/21	125	125
GM Financial Automobile Leasing Trust, Series 2017-3, Class C		
2.73%, 9/20/21	200	200
GM Financial Automobile Leasing Trust, Series 2018-1, Class C		
3.11%, 12/20/21	295	296
GM Financial Automobile Leasing Trust, Series 2018-1, Class D		
3.37%, 10/20/22	720	724
GM Financial Automobile Leasing Trust, Series 2018-2, Class C		
3.50%, 4/20/22	325	329
GM Financial Automobile Leasing Trust, Series 2019-1, Class C		
3.56%, 12/20/22	595	606
GM Financial Consumer Automobile Receivables Trust, Series 2017-3A, Class C		
2.52%, 3/16/23 (1)	895	897
GMF Floorplan Owner Revolving Trust, Series 2017-1, Class C		
2.97%, 1/18/22 (1)	1,238	1,241
GMF Floorplan Owner Revolving Trust, Series 2017-3, Class B		
2.26%, 8/16/21 (1)	1,245	1,244
GMF Floorplan Owner Revolving Trust, Series 2017-3, Class C		
2.46%, 8/16/21 (1)	1,245	1,244
GMF Floorplan Owner Revolving Trust, Series 2018-4, Class A1		
3.50%, 9/15/23 (1)	975	1,001

	Par/Shares	\$ Value
(Amounts in 000s)		
GMF Floorplan Owner Revolving Trust, Series 2019-1, Class A		
2.70%, 4/15/24 (1)	510	516
Hyundai Auto Receivables Trust, Series 2017-A, Class B		
2.38%, 4/17/23	220	221
Hyundai Auto Receivables Trust, Series 2019-A, Class B		
2.94%, 5/15/25	460	467
Nissan Auto Lease Trust, Series 2017-B, Class A4		
2.17%, 12/15/21	915	913
Santander Drive Auto Receivables Trust, Series 2015-3, Class D		
3.49%, 5/17/21	636	637
Santander Drive Auto Receivables Trust, Series 2015-4, Class C		
2.97%, 3/15/21	25	25
Santander Drive Auto Receivables Trust, Series 2015-4, Class D		
3.53%, 8/16/21	355	356
Santander Drive Auto Receivables Trust, Series 2015-5, Class D		
3.65%, 12/15/21	473	475
Santander Drive Auto Receivables Trust, Series 2016-1, Class D		
4.02%, 4/15/22	460	466
Santander Drive Auto Receivables Trust, Series 2016-3, Class C		
2.46%, 3/15/22	189	189
Santander Drive Auto Receivables Trust, Series 2017-1, Class B		
2.10%, 6/15/21	3	3
Santander Drive Auto Receivables Trust, Series 2017-1, Class C		
2.58%, 5/16/22	95	95
Santander Drive Auto Receivables Trust, Series 2017-3, Class B		
2.19%, 3/15/22	358	358
Santander Drive Auto Receivables Trust, Series 2018-1, Class C		
2.96%, 3/15/24	185	186

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Santander Drive Auto Receivables Trust, Series 2018-2, Class C 3.35%, 7/17/23	295	298
Santander Drive Auto Receivables Trust, Series 2018-4, Class B 3.27%, 1/17/23	460	464
Santander Drive Auto Receivables Trust, Series 2018-5, Class B 3.52%, 12/15/22	875	883
Santander Drive Auto Receivables Trust, Series 2019-1, Class B 3.21%, 9/15/23	265	269
Santander Drive Auto Receivables Trust, Series 2019-2, Class B 2.79%, 1/16/24	390	393
Santander Retail Auto Lease Trust, Series 2017-A, Class C 2.96%, 11/21/22 (1)	240	241
Santander Retail Auto Lease Trust, Series 2019-A, Class B 3.01%, 5/22/23 (1)	505	511
World Omni Automobile Lease Securitization Trust, Series 2017-A, Class A4 2.32%, 8/15/22	180	180
World Omni Automobile Lease Securitization Trust, Series 2018-A, Class B 3.06%, 5/15/23	200	201
		38,851
<b>Credit Card 0.5%</b>		
Synchrony Card Funding, Series 2019-A2, Class A 2.34%, 6/16/25	1,195	1,195
Synchrony Credit Card Master Note Trust, Series 2015-1, Class B 2.64%, 3/15/23	395	395
Synchrony Credit Card Master Note Trust, Series 2016-2, Class C 2.95%, 5/15/24	815	814
		2,404

	Par/Shares	\$ Value
(Amounts in 000s)		
<b>Other Asset-Backed Securities 5.4%</b>		
Allegro III, Series 2015-1A, Class AR, CLO, FRN, 3M USD LIBOR + 0.84%, 3.42%, 7/25/27 (1)	900	896
Applebee's Funding, Series 2019-1A, Class A2I 4.194%, 6/7/49 (1)	580	584
Ascentium Equipment Receivables Trust, Series 2017-1A, Class A3 2.29%, 6/10/21 (1)	164	164
Barings, Series 2013-1A, Class AR, CLO, FRN, 3M USD LIBOR + 0.80%, 3.392%, 1/20/28 (1)	1,125	1,117
BlueMountain, Series 2015-2A, Class A1R, CLO, FRN, 3M USD LIBOR + 0.93%, 3.531%, 7/18/27 (1)	1,100	1,098
BRE Grand Islander Timeshare Issuer, Series 2019-A, Class A 3.28%, 9/26/33 (1)	263	267
Carlyle Global Market Strategies, Series 2015-1A, Class AR, CLO, FRN, 3M USD LIBOR + 1.00%, 3.592%, 4/20/27 (1)	615	616
Carlyle Global Market Strategies, Series 2015-3A, Class A1R, CLO, FRN, 3M USD LIBOR + 1.00%, 3.582%, 7/28/28 (1)	1,115	1,109
CCG Receivables Trust, Series 2016-1, Class A2 1.69%, 9/14/22 (1)	24	24
CNH Equipment Trust, Series 2018-A, Class B 3.47%, 10/15/25	275	283
Cole Park, Series 2015-1A, Class AR, CLO, FRN, 3M USD LIBOR + 1.05%, 3.642%, 10/20/28 (1)	1,120	1,117
Elara HGV Timeshare Issuer, Series 2014-A, Class A 2.53%, 2/25/27 (1)	20	20
Elara HGV Timeshare Issuer, Series 2017-A, Class A 2.69%, 3/25/30 (1)	186	186



T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Golub Capital Partners, Series 2018-39A, Class A1, CLO, FRN, 3M USD LIBOR + 1.15%, 3.742%, 10/20/28 (1)	640	639
GreatAmerica Leasing Receivables Funding, Series 2017-1, Class A3 2.06%, 6/22/20 (1)	37	37
GreatAmerica Leasing Receivables Funding, Series 2018-1, Class A3 2.60%, 6/15/21 (1)	280	281
Halcyon Loan Advisors Funding, Series 2014-3A, Class B1R, CLO, FRN, 3M USD LIBOR + 1.70%, 4.292%, 10/22/25 (1)	505	505
Hardee's Funding, Series 2018-1A, Class A2I 4.25%, 6/20/48 (1)	649	662
Hilton Grand Vacations Trust, Series 2014-AA, Class A 1.77%, 11/25/26 (1)	379	377
Hilton Grand Vacations Trust, Series 2017-AA, Class A 2.66%, 12/26/28 (1)	174	175
Hilton Grand Vacations Trust, Series 2017-AA, Class B 2.96%, 12/26/28 (1)	60	61
Kubota Credit Owner Trust, Series 2016-1A, Class A3 1.50%, 7/15/20 (1)	48	48
Madison Park Funding XVIII, Series 2015-18A, Class A1R, CLO, FRN, 3M USD LIBOR + 1.19%, 3.782%, 10/21/30 (1)	1,175	1,173
Magnetite XVI, Series 2015-16A, Class AR, CLO, FRN, 3M USD LIBOR + 0.80%, 3.401%, 1/18/28 (1)	1,510	1,505
MVW Owner Trust, Series 2013-1A, Class A 2.15%, 4/22/30 (1)	269	268
MVW Owner Trust, Series 2014-1A, Class A 2.25%, 9/22/31 (1)	33	33
MVW Owner Trust, Series 2015-1A, Class A 2.52%, 12/20/32 (1)	213	213

	Par/Shares	\$ Value
(Amounts in 000s)		
MVW Owner Trust, Series 2017-1A, Class A 2.42%, 12/20/34 (1)	97	97
MVW Owner Trust, Series 2017-1A, Class B 2.75%, 12/20/34 (1)	56	55
MVW Owner Trust, Series 2017-1A, Class C 2.99%, 12/20/34 (1)	92	91
Neuberger Berman XIX, Series 2015-19A, Class A1R2, CLO, FRN, 3M USD LIBOR + 0.80%, 3.397%, 7/15/27 (1)	1,105	1,103
Neuberger Berman XVI, Series 2017-16SA, Class A, CLO, FRN, 3M USD LIBOR + 0.85%, 3.447%, 1/15/28 (1)	675	672
OCP, Series 2014-7A, Class A1RR, CLO, FRN, 3M USD LIBOR + 1.12%, 3.712%, 7/20/29 (1)	1,750	1,745
OCP, Series 2015-10A, Class A1R, CLO, FRN, 3M USD LIBOR + 0.82%, 3.406%, 10/26/27 (1)	1,035	1,032
OZLM VIII, Series 2014-8A, Class A1RR, CLO, FRN, 3M USD LIBOR + 1.17%, 3.758%, 10/17/29 (1)	710	709
Planet Fitness Master Issuer, Series 2018-1A, Class A2I 4.262%, 9/5/48 (1)	819	844
Sierra Timeshare Receivables Funding, Series 2014-3A, Class A 2.30%, 10/20/31 (1)	38	38
Sierra Timeshare Receivables Funding, Series 2015-1A, Class A 2.40%, 3/22/32 (1)	174	174
Sierra Timeshare Receivables Funding, Series 2015-2A, Class A 2.43%, 6/20/32 (1)	77	77
Sierra Timeshare Receivables Funding, Series 2015-3A, Class A 2.58%, 9/20/32 (1)	100	99

	Par/Shares	\$ Value
(Amounts in 000s)		
Sierra Timeshare Receivables Funding, Series 2016-2A, Class A 2.33%, 7/20/33 (1)	77	76
Sierra Timeshare Receivables Funding, Series 2017-1A, Class A 2.91%, 3/20/34 (1)	117	118
Sierra Timeshare Receivables Funding, Series 2019-1A, Class A 3.20%, 1/20/36 (1)	352	361
Verizon Owner Trust, Series 2016-2A, Class C 2.36%, 5/20/21 (1)	405	405
Verizon Owner Trust, Series 2017-1A, Class C 2.65%, 9/20/21 (1)	215	215
Verizon Owner Trust, Series 2017-2A, Class C 2.38%, 12/20/21 (1)	1,235	1,235
Verizon Owner Trust, Series 2017-3A, Class C 2.53%, 4/20/22 (1)	865	867
Verizon Owner Trust, Series 2018-1A, Class C 3.20%, 9/20/22 (1)	340	345
Verizon Owner Trust, Series 2018-A, Class C 3.55%, 4/20/23	720	741
Volvo Financial Equipment, Series 2018-1A, Class B 2.91%, 1/17/23 (1)	315	318
Volvo Financial Equipment Master Owner Trust, Series 2017-A, Class A, FRN, 1M USD LIBOR + 0.50%, 2.894%, 11/15/22 (1)	175	175
		25,050
<b>Student Loan 1.6%</b>		
Navient Private Education Refi Loan Trust, Series 2018-A, Class A1 2.53%, 2/18/42 (1)	409	410
Navient Private Education Refi Loan Trust, Series 2019-CA, Class A1 2.82%, 2/15/68 (1)	1,130	1,137

	Par/Shares	\$ Value
(Amounts in 000s)		
Navient Student Loan Trust, Series 2019-2A, Class A1, FRN, 1M USD LIBOR + 0.27%, 2.674%, 2/27/68 (1)	588	586
Nelnet Student Loan Trust, Series 2005-4, Class A4, FRN, 3M USD LIBOR + 0.18%, 2.523%, 3/22/32	586	565
SLM Private Education Loan Trust, Series 2013-A, Class B 2.50%, 3/15/47 (1)	190	190
SLM Student Loan Trust, Series 2008-5, Class A4, FRN, 3M USD LIBOR + 1.70%, 4.28%, 7/25/23	170	172
SLM Student Loan Trust, Series 2008-9, Class A, FRN, 3M USD LIBOR + 1.50%, 4.08%, 4/25/23	121	122
SLM Student Loan Trust, Series 2010-1, Class A, FRN, 1M USD LIBOR + 0.40%, 2.804%, 3/25/25	646	627
SMB Private Education Loan Trust, Series 2014-A, Class A2A 3.05%, 5/15/26 (1)	354	357
SMB Private Education Loan Trust, Series 2014-A, Class A3, FRN, 1M USD LIBOR + 1.50%, 3.894%, 4/15/32 (1)	965	979
SMB Private Education Loan Trust, Series 2015-A, Class A2B, FRN, 1M USD LIBOR + 1.00%, 3.394%, 6/15/27 (1)	226	227
SMB Private Education Loan Trust, Series 2016-C, Class A2B, FRN, 1M USD LIBOR + 1.10%, 3.494%, 9/15/34 (1)	880	885
SMB Private Education Loan Trust, Series 2018-B, Class A2B, FRN, 1M USD LIBOR + 0.72%, 3.114%, 1/15/37 (1)	1,375	1,370
		7,627
<b>Total Asset-Backed Securities (Cost \$73,712)</b>		<b>73,932</b>

	Par/Shares	\$ Value
(Amounts in 000s)		
<b>NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 12.3%</b>		
<b>Collateralized Mortgage Obligations 9.1%</b>		
Angel Oak Mortgage Trust I, Series 2019-2, Class A1, CMO, ARM, 3.628%, 3/25/49 (1)	718	727
Angel Oak Mortgage Trust I, Series 2019-2, Class M1, CMO, ARM, 4.065%, 3/25/49 (1)	400	412
Bayview Mortgage Fund IVc Trust, Series 2017-RT3, Class A, CMO, ARM, 3.50%, 1/28/58 (1)	891	908
Bayview Opportunity Master Fund IVa Trust, Series 2017- SPL5, Class A, CMO, ARM, 3.50%, 6/28/57 (1)	768	782
Bayview Opportunity Master Fund IVb Trust, Series 2017- SPL4, Class A, CMO, ARM, 3.50%, 1/28/55 (1)	267	272
COLT Mortgage Loan Trust, Series 2017-2, Class A1A, CMO, ARM, 2.415%, 10/25/47 (1)	293	292
COLT Mortgage Loan Trust, Series 2017-2, Class A2A, CMO, ARM, 2.568%, 10/25/47 (1)	124	124
COLT Mortgage Loan Trust, Series 2017-2, Class A3A, CMO, ARM, 2.773%, 10/25/47 (1)	55	55
COLT Mortgage Loan Trust, Series 2018-1, Class A1, CMO, ARM, 2.93%, 2/25/48 (1)	122	121
COLT Mortgage Loan Trust, Series 2018-1, Class A3, CMO, ARM, 3.084%, 2/25/48 (1)	44	43
COLT Mortgage Loan Trust, Series 2018-2, Class A1, CMO, ARM, 3.47%, 7/27/48 (1)	690	693
COLT Mortgage Loan Trust, Series 2018-2, Class A2, CMO, ARM, 3.542%, 7/27/48 (1)	336	337

	Par/Shares	\$ Value
(Amounts in 000s)		
COLT Mortgage Loan Trust, Series 2018-3, Class A2, CMO, ARM, 3.763%, 10/26/48 (1)	258	261
COLT Mortgage Loan Trust, Series 2018-4, Class A1, CMO, ARM, 4.006%, 12/28/48 (1)	650	661
COLT Mortgage Loan Trust, Series 2019-2, Class A1, CMO, ARM, 3.337%, 5/25/49 (1)	502	510
COLT Mortgage Loan Trust, Series 2019-3, Class A1, CMO, ARM, 2.764%, 8/25/49 (1)	1,165	1,165
Connecticut Avenue Securities, Series 2017-C02, Class 2M1, CMO, ARM, 1M USD LIBOR + 1.15%, 3.554%, 9/25/29	374	375
Connecticut Avenue Securities, Series 2017-C03, Class 1M1, CMO, ARM, 1M USD LIBOR + 0.95%, 3.354%, 10/25/29	491	492
Connecticut Avenue Securities, Series 2017-C04, Class 2M1, CMO, ARM, 1M USD LIBOR + 0.85%, 3.254%, 11/25/29	293	293
Connecticut Avenue Securities, Series 2017-C05, Class 1M1, CMO, ARM, 1M USD LIBOR + 0.55%, 2.954%, 1/25/30	373	373
Connecticut Avenue Securities, Series 2017-C06, Class 1M1, CMO, ARM, 1M USD LIBOR + 0.75%, 3.154%, 2/25/30	322	322
Connecticut Avenue Securities, Series 2017-C06, Class 2M1, CMO, ARM, 1M USD LIBOR + 0.75%, 3.154%, 2/25/30	127	127
Connecticut Avenue Securities, Series 2018-C02, Class 2M1, CMO, ARM, 1M USD LIBOR + 0.65%, 3.054%, 8/25/30	48	48

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	Par/Shares	\$ Value
(Amounts in 000s)		
Connecticut Avenue Securities, Series 2018-C03, Class 1M1, CMO, ARM, 1M USD LIBOR + 0.68%, 3.084%, 10/25/30	739	739
Connecticut Avenue Securities, Series 2019-R04, Class 2M1, CMO, ARM, 1M USD LIBOR + 0.75%, 3.154%, 6/25/39 (1)	485	485
Deephaven Residential Mortgage Trust, Series 2017- 1A, Class A3, CMO, ARM, 3.485%, 12/26/46 (1)	64	64
Deephaven Residential Mortgage Trust, Series 2017- 3A, Class A1, CMO, ARM, 2.577%, 10/25/47 (1)	339	338
Deephaven Residential Mortgage Trust, Series 2017- 3A, Class A2, CMO, ARM, 2.711%, 10/25/47 (1)	36	36
Deephaven Residential Mortgage Trust, Series 2017- 3A, Class A3, CMO, ARM, 2.813%, 10/25/47 (1)	36	36
Deephaven Residential Mortgage Trust, Series 2018- 1A, Class A1, CMO, ARM, 2.976%, 12/25/57 (1)	293	293
Deephaven Residential Mortgage Trust, Series 2018- 3A, Class A3, CMO, ARM, 3.963%, 8/25/58 (1)	70	71
Deephaven Residential Mortgage Trust, Series 2019- 1A, Class A1, CMO, ARM, 3.743%, 1/25/59 (1)	864	875
Deephaven Residential Mortgage Trust, Series 2019- 2A, Class A3, CMO, ARM, 3.763%, 4/25/59 (1)	546	552
Deephaven Residential Mortgage Trust, Series 2019- 2A, Class M1, CMO, ARM, 3.921%, 4/25/59 (1)	280	286
Freddie Mac Whole Loan Securities Trust, Series 2017- SC01, Class M1, CMO, ARM, 3.597%, 12/25/46 (1)	267	269

	Par/Shares	\$ Value
(Amounts in 000s)		
Freddie Mac Whole Loan Securities Trust, Series 2017- SC02, Class M1, CMO, ARM, 3.858%, 5/25/47 (1)	141	142
Galton Funding Mortgage Trust, Series 2018-1, Class A33, CMO, ARM, 3.50%, 11/25/57 (1)	465	466
Galton Funding Mortgage Trust, Series 2019-1, Class A32, CMO, ARM, 4.00%, 2/25/59 (1)	407	413
Goldman Sachs Mortgage- Backed Securities Trust, Series 2014-EB1A, Class 2A1, CMO, ARM, 2.458%, 7/25/44 (1)	50	50
Homeward Opportunities Fund I Trust, Series 2018-1, Class A1, CMO, ARM, 3.766%, 6/25/48 (1)	529	538
Homeward Opportunities Fund I Trust, Series 2018-1, Class A2, CMO, ARM, 3.897%, 6/25/48 (1)	426	433
Homeward Opportunities Fund I Trust, Series 2019-1, Class A1, CMO, ARM, 3.454%, 1/25/59 (1)	960	973
Homeward Opportunities Fund I Trust, Series 2019-1, Class A3, CMO, ARM, 3.606%, 1/25/59 (1)	637	645
MetLife Securitization Trust, Series 2017-1A, Class A, CMO, ARM, 3.00%, 4/25/55 (1)	363	367
Mill City Mortgage Loan Trust, Series 2016-1, Class A1, CMO, ARM, 2.50%, 4/25/57 (1)	99	99
Mill City Mortgage Loan Trust, Series 2017-2, Class A1, CMO, ARM, 2.75%, 7/25/59 (1)	572	574
New Residential Mortgage Loan Trust, Series 2018-NQM1, Class A1, CMO, ARM, 3.986%, 11/25/48 (1)	910	927
New Residential Mortgage Loan Trust, Series 2019-NQM3, Class A1, CMO, ARM, 2.802%, 7/25/49 (1)	835	836

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	Par/Shares	\$ Value
(Amounts in 000s)		
New Residential Mortgage Loan Trust, Series 2019-NQM3, Class A3, CMO, ARM, 3.086%, 7/25/49 (1)	330	331
Sequoia Mortgage Trust, Series 2018-CH1, Class A11, CMO, ARM, 3.50%, 2/25/48 (1)	762	775
Sequoia Mortgage Trust, Series 2018-CH2, Class A3, CMO, ARM, 4.00%, 6/25/48 (1)	1,006	1,033
Sequoia Mortgage Trust, Series 2018-CH3, Class A19, CMO, ARM, 4.50%, 8/25/48 (1)	257	266
Sequoia Mortgage Trust, Series 2018-CH4, Class A2, CMO, ARM, 4.00%, 10/25/48 (1)	438	453
Starwood Mortgage Residential Trust, Series 2019-IMC1, Class A1, CMO, ARM, 3.468%, 2/25/49 (1)	458	465
Structured Agency Credit Risk Debt Notes, Series 2017-DNA1, Class M1, CMO, ARM, 1M USD LIBOR + 1.20%, 3.604%, 7/25/29	273	274
Structured Agency Credit Risk Debt Notes, Series 2017-DNA2, Class M1, CMO, ARM, 1M USD LIBOR + 1.20%, 3.604%, 10/25/29	747	751
Structured Agency Credit Risk Debt Notes, Series 2017-DNA3, Class M1, CMO, ARM, 1M USD LIBOR + 0.75%, 3.154%, 3/25/30	1,497	1,498
Structured Agency Credit Risk Debt Notes, Series 2017-HQA1, Class M1, CMO, ARM, 1M USD LIBOR + 1.20%, 3.604%, 8/25/29	454	455
Structured Agency Credit Risk Debt Notes, Series 2017-HQA2, Class M1, CMO, ARM, 1M USD LIBOR + 0.80%, 3.204%, 12/25/29	134	134

	Par/Shares	\$ Value
(Amounts in 000s)		
Structured Agency Credit Risk Debt Notes, Series 2017-HQA3, Class M1, CMO, ARM, 1M USD LIBOR + 0.55%, 2.954%, 4/25/30	95	95
Structured Agency Credit Risk Debt Notes, Series 2017-SPI1, Class M1, CMO, ARM, 3.982%, 9/25/47 (1)	67	67
Structured Agency Credit Risk Debt Notes, Series 2018-DNA1, Class M1, CMO, ARM, 1M USD LIBOR + 0.45%, 2.854%, 7/25/30	404	403
Structured Agency Credit Risk Debt Notes, Series 2018-DNA2, Class M1, CMO, ARM, 1M USD LIBOR + 0.80%, 3.204%, 12/25/30 (1)	1,291	1,294
Structured Agency Credit Risk Debt Notes, Series 2018-DNA3, Class M1, CMO, ARM, 1M USD LIBOR + 0.75%, 3.154%, 9/25/48 (1)	511	512
Structured Agency Credit Risk Debt Notes, Series 2018-HQA2, Class M1, CMO, ARM, 1M USD LIBOR + 0.75%, 3.154%, 10/25/48 (1)	820	821
Structured Agency Credit Risk Debt Notes, Series 2018-HRP2, Class M1, CMO, ARM, 1M USD LIBOR + 0.85%, 3.254%, 2/25/47 (1)	185	185
Structured Agency Credit Risk Debt Notes, Series 2018-HRP2, Class M2, CMO, ARM, 1M USD LIBOR + 1.25%, 3.654%, 2/25/47 (1)	495	497
Structured Agency Credit Risk Debt Notes, Series 2018-SPI2, Class M1, CMO, ARM, 3.818%, 5/25/48 (1)	257	258
Structured Agency Credit Risk Debt Notes, Series 2018-SPI3, Class M1, CMO, ARM, 4.165%, 8/25/48 (1)	248	251
Towd Point Mortgage Trust, Series 2015-4, Class A1B, CMO, ARM, 2.75%, 4/25/55 (1)	311	311

	Par/Shares	\$ Value
(Amounts in 000s)		
Towd Point Mortgage Trust, Series 2015-5, Class A1B, CMO, ARM, 2.75%, 5/25/55 (1)	277	278
Towd Point Mortgage Trust, Series 2016-1, Class A1B, CMO, ARM, 2.75%, 2/25/55 (1)	146	146
Towd Point Mortgage Trust, Series 2016-1, Class A3B, CMO, ARM, 3.00%, 2/25/55 (1)	204	204
Towd Point Mortgage Trust, Series 2016-2, Class A1A, CMO, ARM, 2.75%, 8/25/55 (1)	140	141
Towd Point Mortgage Trust, Series 2017-1, Class A1, CMO, ARM, 2.75%, 10/25/56 (1)	491	493
Towd Point Mortgage Trust, Series 2017-2, Class A1, CMO, ARM, 2.75%, 4/25/57 (1)	306	306
Towd Point Mortgage Trust, Series 2017-3, Class A1, CMO, ARM, 2.75%, 7/25/57 (1)	671	673
Towd Point Mortgage Trust, Series 2017-4, Class A1, CMO, ARM, 2.75%, 6/25/57 (1)	462	465
Towd Point Mortgage Trust, Series 2017-6, Class A1, CMO, ARM, 2.75%, 10/25/57 (1)	1,377	1,388
Towd Point Mortgage Trust, Series 2018-1, Class A1, CMO, ARM, 3.00%, 1/25/58 (1)	266	269
Towd Point Mortgage Trust, Series 2018-2, Class A1, CMO, ARM, 3.25%, 3/25/58 (1)	1,465	1,489
Towd Point Mortgage Trust, Series 2018-5, Class A1A, CMO, ARM, 3.25%, 7/25/58 (1)	1,197	1,217
Verus Securitization Trust, Series 2018-1, Class A1, CMO, ARM, 2.929%, 2/25/48 (1)	149	149

	Par/Shares	\$ Value
(Amounts in 000s)		
Verus Securitization Trust, Series 2018-2, Class A1, CMO, ARM, 3.677%, 6/1/58 (1)	655	662
Verus Securitization Trust, Series 2018-2, Class A2, CMO, ARM, 3.779%, 6/1/58 (1)	173	175
Verus Securitization Trust, Series 2018-2, Class A3, CMO, ARM, 3.83%, 6/1/58 (1)	111	112
Verus Securitization Trust, Series 2018-3, Class A1, CMO, ARM, 4.108%, 10/25/58 (1)	864	883
Verus Securitization Trust, Series 2019-1, Class A1, CMO, ARM, 3.836%, 2/25/59 (1)	941	956
Verus Securitization Trust, Series 2019-2, Class A1, CMO, ARM, 3.211%, 4/25/59 (1)	674	680
Verus Securitization Trust, Series 2019-INV1, Class A1, CMO, ARM, 3.402%, 12/25/59 (1)	500	506
Verus Securitization Trust, Series 2019-INV1, Class M1, CMO, ARM, 4.034%, 12/25/59 (1)	140	142
		42,363
<b>Commercial Mortgage-Backed Securities 3.2%</b>		
BAMLL Commercial Mortgage- Backed Securities Trust, Series 2018-DSNY, Class A, ARM, 1M USD LIBOR + 0.85%, 3.244%, 9/15/34 (1)	680	680
Banc of America Commercial Mortgage Trust, Series 2017- BNK3, Class A1 1.957%, 2/15/50	102	102
BX Commercial Mortgage Trust, Series 2018-IND, Class A, ARM, 1M USD LIBOR + 0.75%, 3.144%, 11/15/35 (1)	573	573
CD Commercial Mortgage Trust, Series 2017-CD3, Class A1 1.965%, 2/10/50	101	101

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

	Par/Shares	\$ Value
(Amounts in 000s)		
Citigroup Commercial Mortgage Trust, Series 2015-GC31, Class A1 1.637%, 6/10/48	53	53
Citigroup Commercial Mortgage Trust, Series 2015-GC33, Class A1 1.643%, 9/10/58	306	304
CLNS Trust, Series 2017-IKPR, Class A, ARM, 1M USD LIBOR + 0.80%, 3.212%, 6/11/32 (1)	340	340
CLNS Trust, Series 2017-IKPR, Class B, ARM, 1M USD LIBOR + 1.00%, 3.412%, 6/11/32 (1)	565	565
Commercial Mortgage PTC, Series 2016-CR28, Class A1 1.77%, 2/10/49	122	121
Commercial Mortgage Trust, Series 2015-LC23, Class A2 3.221%, 10/10/48	1,025	1,034
Commercial Mortgage Trust, Series 2015-PC1, Class A1 1.667%, 7/10/50	38	38
Credit Suisse Mortgage Capital Certificates, Series 2019-ICE4, Class C, ARM, 1M USD LIBOR + 1.43%, 3.824%, 5/15/36 (1)	735	737
Credit Suisse Mortgage Capital Certificates, Series 2019-ICE4, Class D, ARM, 1M USD LIBOR + 1.60%, 3.994%, 5/15/36 (1)	560	562
CSAIL Commercial Mortgage Trust, Series 2015-C1, Class A1 1.684%, 4/15/50	14	14
CSAIL Commercial Mortgage Trust, Series 2015-C3, Class A1 1.717%, 8/15/48	49	48
CSAIL Commercial Mortgage Trust, Series 2016-C5, Class A1 1.747%, 11/15/48	70	70
Goldman Sachs Mortgage Securities Trust, Series 2015-GC28, Class A1 1.528%, 2/10/48	16	16

	Par/Shares	\$ Value
(Amounts in 000s)		
Goldman Sachs Mortgage Securities Trust, Series 2015-GC32, Class A1 1.593%, 7/10/48	35	35
Goldman Sachs Mortgage Securities Trust, Series 2016-GS3, Class A1 1.429%, 10/10/49	72	71
Goldman Sachs Mortgage Securities Trust, Series 2018-FBLU, Class A, ARM, 1M USD LIBOR + 0.95%, 3.344%, 11/15/35 (1)	430	430
Goldman Sachs Mortgage Securities Trust, Series 2018-FBLU, Class D, ARM, 1M USD LIBOR + 2.00%, 4.394%, 11/15/35 (1)	225	224
Great Wolf Trust, Series 2017-WOLF, Class A, ARM, 1M USD LIBOR + 0.85%, 3.244%, 9/15/34 (1)	985	986
Great Wolf Trust, Series 2017-WOLF, Class C, ARM, 1M USD LIBOR + 1.32%, 3.714%, 9/15/34 (1)	905	905
InTown Hotel Portfolio Trust, Series 2018-STAY, Class A, ARM, 1M USD LIBOR + 0.70%, 3.094%, 1/15/33 (1)	175	175
InTown Hotel Portfolio Trust, Series 2018-STAY, Class C, ARM, 1M USD LIBOR + 1.25%, 3.644%, 1/15/33 (1)	145	144
JPMorgan Barclays Bank Commercial Mortgage Securities Trust, Series 2015-C27, Class A1 1.414%, 2/15/48	27	27
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2011-C4, Class A4 4.388%, 7/15/46 (1)	414	428
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C18, Class AS, ARM, 4.11%, 10/15/47	265	283
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C24, Class A1 1.706%, 5/15/48	114	113



	Par/Shares	\$ Value
(Amounts in 000s)		
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2016-C30, Class A1 1.389%, 9/15/49	129	127
Morgan Stanley Capital I Trust, Series 2015-MS1, Class A1 1.638%, 5/15/48	105	104
Morgan Stanley Capital I Trust, Series 2017-CLS, Class B, ARM, 1M USD LIBOR + 0.85%, 3.244%, 11/15/34 (1)	560	559
Morgan Stanley Capital I Trust, Series 2017-CLS, Class C, ARM, 1M USD LIBOR + 1.00%, 3.394%, 11/15/34 (1)	450	448
New Orleans Hotel Trust, Series 2019-HNLA, Class B, ARM, 1M USD LIBOR + 1.289%, 3.683%, 4/15/32 (1)	1,140	1,137
RETL, Series 2019-RVP, Class A, ARM, 1M USD LIBOR + 1.15%, 3.544%, 3/15/36 (1)	665	666
SLIDE, Series 2018-FUN, Class D, ARM, 1M USD LIBOR + 1.85%, 4.244%, 6/15/31 (1)	563	567
Wells Fargo Commercial Mortgage Trust, Series 2013- LC12, Class A1 1.676%, 7/15/46	179	178
Wells Fargo Commercial Mortgage Trust, Series 2015- NXS1, Class A1 1.342%, 5/15/48	19	19
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	368	366
Wells Fargo Commercial Mortgage Trust, Series 2016- LC24, Class A1 1.441%, 10/15/49	34	34

	Par/Shares	\$ Value
(Amounts in 000s)		
WFRBS Commercial Mortgage Trust, Series 2012-C6, Class B 4.697%, 4/15/45	540	566
		14,590
<b>Total Non-U.S. Government Mortgage-Backed Securities (Cost \$56,671)</b>		<b>56,953</b>

#### U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 6.0%

##### U.S. Government Agency Obligations 4.5% (3)

Federal Home Loan Mortgage 3.50%, 3/1/46	1,206	1,257
5.00%, 12/1/23 - 7/1/25	74	76
5.50%, 4/1/23 - 10/1/38	26	27
6.00%, 12/1/19 - 1/1/38	156	176
Federal Home Loan Mortgage, ARM 12M USD LIBOR + 1.591%, 4.341%, 9/1/35	4	4
12M USD LIBOR + 1.625%, 4.375%, 7/1/38	17	18
12M USD LIBOR + 1.726%, 4.479%, 7/1/35	5	5
12M USD LIBOR + 1.625%, 4.50%, 6/1/38	38	40
12M USD LIBOR + 1.733%, 4.559%, 10/1/36	17	18
12M USD LIBOR + 1.625%, 4.56%, 4/1/37	15	15
1Y CMT + 2.25%, 4.595%, 10/1/36 12M USD LIBOR + 1.736%, 4.648%, 5/1/38	4	5
12M USD LIBOR + 1.775%, 4.65%, 5/1/37	15	15
12M USD LIBOR + 1.723%, 4.723%, 1/1/36	12	13
12M USD LIBOR + 1.815%, 4.774%, 1/1/37	2	3
12M USD LIBOR + 1.90%, 4.775%, 11/1/35	4	4
12M USD LIBOR + 1.75%, 4.835%, 2/1/35	1	1
12M USD LIBOR + 1.979%, 4.848%, 11/1/36	15	16
1Y CMT + 2.245%, 4.835%, 1/1/36 12M USD LIBOR + 1.745%, 4.869%, 2/1/37	15	16
	4	4
	6	7



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	Par/Shares	\$ Value
(Amounts in 000s)		
12M USD LIBOR + 2.083%, 5.207%, 2/1/38	19	20
Federal Home Loan Mortgage, CMO		
2.00%, 2/15/40	232	233
4.00%, 11/15/36	170	173
Federal Home Loan Mortgage, Strips, CMO, ARM,		
1M USD LIBOR + 0.52%, 2.914%, 11/15/43	761	763
Federal National Mortgage Assn.		
3.00%, 1/1/27 - 2/1/33	1,068	1,091
3.50%, 11/1/26 - 2/1/48	1,717	1,773
4.00%, 6/1/33 - 11/1/43	824	863
4.50%, 11/1/19 - 12/1/48	2,781	2,956
5.00%, 5/1/20 - 2/1/49	2,853	3,079
5.50%, 7/1/20 - 5/1/40	954	1,049
6.00%, 9/1/21 - 4/1/40	899	1,014
6.50%, 7/1/32 - 12/1/32	111	128
Federal National Mortgage Assn., ARM		
12M USD LIBOR + 1.544%, 4.337%, 7/1/35	3	4
12M USD LIBOR + 1.34%, 4.34%, 12/1/35	2	2
12M USD LIBOR + 1.655%, 4.405%, 8/1/37	7	7
12M USD LIBOR + 1.569%, 4.446%, 12/1/35	7	8
12M USD LIBOR + 1.597%, 4.473%, 7/1/36	17	18
12M USD LIBOR + 1.853%, 4.603%, 8/1/38	11	12
12M USD LIBOR + 1.75%, 4.625%, 9/1/36	—	—
12M USD LIBOR + 1.78%, 4.655%, 1/1/34	7	7
12M USD LIBOR + 1.83%, 4.719%, 4/1/38	25	26
12M USD LIBOR + 1.788%, 4.743%, 5/1/38	9	10
12M USD LIBOR + 1.77%, 4.77%, 12/1/35	1	1
12M USD LIBOR + 1.888%, 4.781%, 5/1/38	21	23
12M USD LIBOR + 1.892%, 4.852%, 12/1/35	2	2
12M USD LIBOR + 2.04%, 4.915%, 12/1/36	6	6
Federal National Mortgage Assn., CMO,		
4.00%, 6/25/44	838	868

	Par/Shares	\$ Value
(Amounts in 000s)		
Federal National Mortgage Assn., CMO, ARM		
1M USD LIBOR + 0.30%, 2.704%, 11/25/47	1,189	1,184
1M USD LIBOR + 0.50%, 2.904%, 11/25/46	1,732	1,734
Federal National Mortgage Assn., TBA		
3.50%, 7/1/34 (4)	1,515	1,564
4.00%, 7/1/49 (4)	265	274
		20,612
<b>U.S. Government Obligations 1.5%</b>		
Government National Mortgage Assn.		
3.50%, 3/1/43 - 2/20/48	214	221
4.00%, 2/1/48 - 12/20/48	842	875
4.50%, 4/20/49	265	276
5.00%, 12/1/34 - 6/20/49	3,446	3,652
5.50%, 2/1/34 - 3/20/48	1,249	1,375
Government National Mortgage Assn., CMO, ARM		
1M USD LIBOR + 0.30%, 2.683%, 9/20/48	249	248
1M USD LIBOR + 0.45%, 2.833%, 2/20/49	499	500
		7,147
<b>Total U.S. Government &amp; Agency Mortgage- Backed Securities (Cost \$27,608)</b>		<b>27,759</b>

**U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 14.6%**

**U.S. Government Agency Obligations 1.8% (5)**

Federal Home Loan Bank		
2.625%, 5/28/20	3,310	3,328
Federal National Mortgage Assn.		
1.50%, 7/30/20	5,065	5,039
		8,367

**U.S. Treasury Obligations 12.8%**

U.S. Treasury Notes		
1.375%, 5/31/21 (6)	11,370	11,283
U.S. Treasury Notes		
1.625%, 11/30/20	5,935	5,915
U.S. Treasury Notes		
1.75%, 6/15/22	4,835	4,843
U.S. Treasury Notes		
1.875%, 12/15/20	5,520	5,522
U.S. Treasury Notes		
2.125%, 5/15/22	2,305	2,330

	Par/Shares	\$ Value
(Amounts in 000s)		
U.S. Treasury Notes		
2.25%, 4/15/22	3,005	3,046
U.S. Treasury Notes		
2.375%, 3/15/22	5,480	5,576
U.S. Treasury Notes		
2.50%, 1/15/22	5,170	5,266
U.S. Treasury Notes		
2.50%, 2/15/22	1,615	1,646
U.S. Treasury Notes		
2.625%, 12/15/21	6,845	6,994
U.S. Treasury Notes		
2.875%, 10/31/20	1,520	1,540
U.S. Treasury Notes		
2.875%, 10/15/21	5,150	5,279
		59,240
<b>Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost \$67,072)</b>		<b>67,607</b>

#### FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 1.5%

##### Owned No Guarantee 1.5%

Axiata		
3.466%, 11/19/20	475	481
China Shenhua Overseas Capital		
3.125%, 1/20/20	930	931
CNAC HK Finbridge		
3.00%, 7/19/20	570	572
CNAC HK Finbridge		
4.125%, 3/14/21	535	545
Eastern Creation II Investment Holdings		
2.75%, 9/26/20	940	941
Petroleos Mexicanos		
5.50%, 1/21/21	30	30
Saudi Arabian Oil		
2.75%, 4/16/22 (1)	1,155	1,166
State Grid Overseas Investment		
2.25%, 5/4/20 (1)	1,485	1,483

	Par/Shares	\$ Value
(Amounts in 000s)		
Syngenta Finance		
3.698%, 4/24/20 (1)	650	653
Syngenta Finance		
3.933%, 4/23/21 (1)	385	392
		7,194
<b>Total Foreign Government Obligations &amp; Municipalities (Cost \$7,135)</b>		<b>7,194</b>
<b>MUNICIPAL SECURITIES 0.2%</b>		
<b>Florida 0.2%</b>		
State Board of Administration Fin., Series A, 2.163%, 7/1/19	840	840
		840
<b>Total Municipal Securities (Cost \$840)</b>		<b>840</b>

#### SHORT-TERM INVESTMENTS 1.4%

##### Money Market Funds 1.4%

T. Rowe Price Government Reserve Fund, 2.46% (7)(8)	6,545	6,544
		6,544
<b>Total Short-Term Investments (Cost \$6,544)</b>		<b>6,544</b>

##### Total Investments in Securities

**101.3% of Net Assets (Cost \$466,723) \$ 469,796**

‡ 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 period-end amounts to \$144,728 and represents 31.2% 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) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.

- (4) To-Be-Announced purchase commitment - total value of such securities at period-end amounts to \$1,838 and represents 0.4% of net assets. See Note 4.
- (5) 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.
- (6) At June 30, 2019, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
- (7) Seven-day yield
- (8) Affiliated Companies

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

FRN Floating Rate Note

PTC Pass-Through Certificate

PTT Pass-Through Trust

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

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%)**

Description	Notional Amount	Value	Upfront Payments/ (Receipts)	Unrealized Gain/(Loss)
<b>BILATERAL SWAPS (0.0%)</b>				
<b>Credit Default Swaps, Protection Bought (0.0%)</b>				
Citibank, Protection Bought (Relevant Credit: Campbell Soup, 4.25%, 4/15/21), Pay 1.00% Quarterly, Receive upon credit default, 6/20/24	1,150\$	(8)	\$ (7)	\$ (1)
<b>Total Credit Default Swaps, Protection Bought</b>			<b>(7)</b>	<b>(1)</b>
<b>Total Bilateral Swaps</b>			<b>\$ (7)</b>	<b>\$ (1)</b>

**Futures Contracts**

(\$000s)

Description	Expiration Date	Notional Amount	Value and Unrealized Gain (Loss)
Long, 47 U.S. Treasury Notes five year contracts	9/19	5,553	\$ 68
Short, 91 U.S. Treasury Notes ten year contracts	9/19	(11,645)	(251)
Long, 641 U.S. Treasury Notes two year contracts	9/19	137,930	761
<b>Net payments (receipts) of variation margin to date</b>			<b>(606)</b>
<b>Variation margin receivable (payable) on open futures contracts</b>			<b>\$ (28)</b>

**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, 2019. 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.

<b>Affiliate</b>	<b>Net Realized Gain (Loss)</b>	<b>Change in Net Unrealized Gain/Loss</b>	<b>Investment Income</b>
T. Rowe Price Government Reserve Fund	\$ —#	\$ —	\$ 46+

**Supplementary Investment Schedule**

<b>Affiliate</b>	<b>Value 12/31/18</b>	<b>Purchase Cost</b>	<b>Sales Cost</b>	<b>Value 6/30/19</b>
T. Rowe Price Government Reserve Fund	\$ 1,052	□	□ \$	6,544^

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

+ Investment income comprised \$46 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 \$6,544.

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

T. ROWE PRICE LIMITED-TERM BOND PORTFOLIO

June 30, 2019 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$466,723)	\$	469,796
Interest receivable		2,478
Receivable for investment securities sold		1,973
Receivable for shares sold		135
Cash		43
Other assets		8
Total assets		<u>474,433</u>

**Liabilities**

Payable for investment securities purchased		9,080
Payable for shares redeemed		1,371
Investment management and administrative fees payable		245
Variation margin payable on futures contracts		28
Bilateral swap premiums received		7
Unrealized loss on bilateral swaps		1
Total liabilities		<u>10,732</u>

**NET ASSETS**

**\$ 463,701**

**Net Assets Consist of:**

Total distributable earnings (loss)	\$	(1,212)
Paid-in capital applicable to 95,426,508 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>464,913</u>

**NET ASSETS**

**\$ 463,701**

**NET ASSET VALUE PER SHARE**

**Limited-Term Bond Class**

(\$452,039,563 / 93,017,985 shares outstanding)

**\$ 4.86**

**Limited-Term Bond-II Class**

(\$11,661,773 / 2,408,523 shares outstanding)

**\$ 4.84**

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

Unaudited

**STATEMENT OF OPERATIONS**

(\$000s)

	6 Months Ended 6/30/19
<b>Investment Income (Loss)</b>	
Income	
Interest	\$ 6,657
Dividend	46
Total income	6,703
Expenses	
Investment management and administrative expense	1,139
Rule 12b-1 fees – Limited-Term Bond-II Class	15
Total expenses	1,154
Net investment income	5,549
<b>Realized and Unrealized Gain / Loss</b>	
Net realized gain (loss)	
Securities	(63)
Futures	984
Forward currency exchange contracts	5
Foreign currency transactions	(1)
Net realized gain	925
Change in net unrealized gain / loss	
Securities	6,953
Futures	(94)
Swaps	(1)
Forward currency exchange contracts	1
Change in net unrealized gain / loss	6,859
Net realized and unrealized gain / loss	7,784
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 13,333</b>

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



Unaudited

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 <sup>(1)</sup>
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 5,549	\$ 8,550
Net realized gain (loss)	925	(1,550)
Change in net unrealized gain / loss	6,859	(1,696)
Increase in net assets from operations	13,333	5,304
Distributions to shareholders		
Net earnings		
Limited-Term Bond Class	(5,525)	(8,706)
Limited-Term Bond-II Class	(137)	(189)
Decrease in net assets from distributions	(5,662)	(8,895)
Capital share transactions *		
Shares sold		
Limited-Term Bond Class	35,892	44,632
Limited-Term Bond-II Class	3,053	16,286
Distributions reinvested		
Limited-Term Bond Class	5,497	8,715
Limited-Term Bond-II Class	136	189
Shares redeemed		
Limited-Term Bond Class	(30,994)	(58,909)
Limited-Term Bond-II Class	(6,976)	(8,548)
Increase in net assets from capital share transactions	6,608	2,365
<b>Net Assets</b>		
Increase (decrease) during period	14,279	(1,226)
Beginning of period	449,422	450,648
<b>End of period</b>	<b>\$ 463,701</b>	<b>\$ 449,422</b>

## \*Share information

Shares sold		
Limited-Term Bond Class	7,476	9,330
Limited-Term Bond-II Class	634	3,422
Distributions reinvested		
Limited-Term Bond Class	1,140	1,823
Limited-Term Bond-II Class	28	40
Shares redeemed		
Limited-Term Bond Class	(6,443)	(12,313)
Limited-Term Bond-II Class	(1,456)	(1,797)
Increase in shares outstanding	1,379	505

<sup>(1)</sup> Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

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 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 Class) and the Limited-Term Bond Portfolio–II (Limited-Term Bond-II Class). Limited-Term Bond-II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation** The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

**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. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. 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. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared by each class daily and paid monthly. 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 effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**Class Accounting** Investment income and investment management and administrative expense are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares. Limited-Term Bond 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. 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, 2019 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Fixed Income Securities <sup>1</sup>	\$ —	\$ 463,252	\$ —	\$ 463,252
Short-Term Investments	6,544	—	—	6,544
Total	\$ 6,544	\$ 463,252	\$ —	\$ 469,796
<b>Liabilities</b>				
Future Contracts	\$ 28	\$ —	\$ —	\$ 28
Swaps	—	8	—	8
Total	\$ 28	\$ 8	\$ —	\$ 36

<sup>1</sup>Includes 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.

### NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2019, 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, to enhance return, 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, 2019, 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
<b>Assets</b>		
Interest rate derivatives	Futures*	\$ 829
Total		\$ 829
<b>Liabilities</b>		
Interest rate derivatives	Futures*	\$ 251
Credit derivatives	Bilateral Swaps, and Premiums	8
Total		\$ 259

\*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, 2019, 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
<b>Realized Gain (Loss)</b>				
Interest rate derivatives	\$ 984	\$ -	\$ -	\$ 984
Foreign exchange derivatives	-	5	-	5
Total	\$ 984	\$ 5	\$ -	\$ 989
<b>Change in Unrealized Gain (Loss)</b>				
Interest rate derivatives	\$ (94)	\$ -	\$ -	\$ (94)
Foreign exchange derivatives	-	1	-	1
Credit derivatives	-	-	(1)	(1)
Total	\$ (94)	\$ 1	\$ (1)	\$ (94)

**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) may 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 below a specified rating 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, 2019, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2019, securities valued at \$324,000 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, 2019, 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 rate, and potential losses in excess of the fund's initial investment. During the six months ended June 30, 2019, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 22% and 31% 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. 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, 2019, 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.

**TBA Purchase, Sale Commitments and Forward Settling Mortgage Obligations** 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 Master Securities Forward Transaction Agreements with 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 and other forward settling mortgage obligations with a particular counterparty (collectively, MSFTA Transactions). At any time, the fund’s risk of loss from a particular counterparty related to its MSFTA Transactions is the aggregate unrealized gain on appreciated MSFTA Transactions in excess of unrealized loss on depreciated MSFTA Transactions and collateral received, if any, from such counterparty. As of June 30, 2019, no collateral was pledged by either the fund or counterparties for MSFTA Transactions.

**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 \$83,494,000 and \$73,998,000, respectively, for the six months ended June 30, 2019. Purchases and sales of U.S. government securities aggregated \$46,307,000 and \$36,748,000, respectively, for the six months ended June 30, 2019.

## NOTE 5 - FEDERAL INCOME TAXES

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

The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. As of December 31, 2018, the fund had \$5,004,000 of available capital loss carryforwards.

At June 30, 2019, the cost of investments for federal income tax purposes was \$466,715,000. Net unrealized gain aggregated \$3,651,000 at period-end, of which \$4,099,000 related to appreciated investments and \$448,000 related to depreciated investments.



**NOTE 6 - RELATED PARTY TRANSACTIONS**

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.70% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest; expenses related to borrowing, taxes, and brokerage and other transaction costs; and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund. Effective July 1, 2018, T. Rowe Price has contractually agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's overall management fee rate to 0.50% of the fund's average daily net assets, through at least April 30, 2020. This contractual arrangement will renew automatically for one-year terms thereafter and may be terminated only with approval of the fund's Board. The fund has no obligation to repay fees reduced under this arrangement.

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, 2019, 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**

Effective for reporting periods on or after March 1, 2019, the fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, the fund filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-PORT and N-Q are available electronically on the SEC's website (sec.gov).

**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 11–12, 2019 (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, 2018, 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. However, the fund has a contractual limitation in place whereby the Advisor has agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's management fee rate to 0.50% of the fund's average daily net assets. Any fees waived under this management fee waiver agreement are not subject to reimbursement to the Advisor by the fund. 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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)**

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 fourth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fourth quintile (Expense Group) and third quintile (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).

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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, 2019

T. ROWE PRICE

# Moderate Allocation Portfolio

*(formerly T. Rowe Price Personal Strategy Balanced Portfolio)*

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## HIGHLIGHTS

- The Moderate Allocation Portfolio returned 13.30% in the six months ended June 30, 2019, outperforming its combined index portfolio benchmark and its Lipper peer group average.
- Security selection in the fund's underlying investments contributed to relative performance, particularly among U.S. small-cap and emerging markets stocks. The inclusion of emerging markets and high yield bonds as diversifying fixed income sectors also added value.
- We are underweight to stocks relative to bonds, as we believe that global stock markets are vulnerable to slowing economic growth, diminishing earnings expectations, and heightened trade risks. We trimmed our exposure to international developed markets stocks and moved to an overweight to high yield bonds.
- We believe that the Moderate Allocation Portfolio's diversification and flexibility to identify investment opportunities across sectors and regions should allow us to generate solid long-term returns in a variety of market environments.

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## Dear Investor

Markets overcame a bout of volatility in May and recorded exceptional returns in the six months ended June 30, 2019. The large-cap S&P 500 Index reached record highs and notched its best start to a year in over two decades. Overseas equity markets were also strong, while bond prices rose as longer-term interest rates fell to their lowest levels since late 2016.

Markets rebounded to start the year, as many of the worries behind the sell-off in late 2018 receded. Investors seemed most relieved by a dovish pivot in monetary policy. The S&P 500 scored its best daily gain for the period on January 4, after Federal Reserve Chair Jerome Powell pledged that the central bank would respond with all the tools at its disposal to counteract an economic downturn or financial turmoil. The Fed soon paused and kept rates steady following a series of quarterly hikes stretching back to late 2017.

Investors also seemed comforted by progress in U.S.-China trade relations. In March, President Donald Trump postponed a threatened tariff increase on Chinese goods and remarked that the two sides were “getting very close” to a deal. Encouraging statements continued to flow from the White House, and speculation grew that Chinese President Xi Jinping would soon visit Washington to sign an agreement.

Hopes for a deal were dashed in early May, however, sending stocks sharply lower. With negotiations at a standstill, on May 10, the administration increased the tariff rate to 25% from 10% on \$200 billion in Chinese goods, as the president had long threatened. China soon retaliated with its own tariffs. A technological “cold war” also seemed to be developing, with both sides taking measures to cut off the other’s access to key components and raw materials. Stocks fell sharply in response, and the small- and mid-cap indexes moved back into correction territory, or down more than 10% from the highs they established late in the previous summer.

Another turn in trade policy in June helped stocks recover their losses. The White House abandoned an earlier threat to put tariffs on Mexican imports in response to immigration issues, and President Trump again softened his stance on China. Markets were closed on the final weekend of the month, when the president announced that he and President Xi had agreed to resume trade negotiations and arranged a truce that would at least temporarily prevent the imposition of further tariffs.

An even bigger factor in the June rebound appeared to be growing confidence that the Fed would cut interest rates rather than merely keep them steady. Fed Chair Powell pledged that policymakers were paying close attention to the impact of trade tensions on the economy and would “act as appropriate to sustain the expansion.” Policymakers also dropped references to being “patient” in adjusting monetary policy. By the end of the month, futures markets were pricing in 75 basis points (0.75 percentage point) of cuts in the second half of the year, with a reasonable chance of more to come in 2020.

The dovish shift in Fed policy has been driven by accumulating evidence of slowing global growth. Rising trade barriers have taken a heavy toll on the global manufacturing sector, and business investment has pulled back as managers confront additional sources of uncertainty, such as the possibility of a disorderly Brexit this October. As a result, corporate earnings growth has stalled in the U.S. and turned negative in other major markets. On the positive side, consumers remain in much better shape, particularly domestically.

We see little evidence to suggest a recession is on the horizon. Indeed, with markets at all-time highs, investors seem willing to bet that this decade-long economic recovery still has legs. We will keep a close eye on developments and rely on our careful fundamental research to avoid pitfalls; I am confident our strategic investing approach will continue to serve our shareholders well.

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

Sincerely,



Robert Sharps  
Group Chief Investment Officer

## INVESTMENT OBJECTIVE

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

## FUND COMMENTARY

### How did the fund perform in the past six months?

The Moderate Allocation Portfolio returned 13.30% in the six months ended June 30, 2019. 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 6/30/19	Total Return
Moderate Allocation Portfolio	13.30%
Morningstar Moderate Target Risk Index	12.08
Combined Index Portfolio*	12.37
Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	11.58

\*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 portfolio's underlying investments contributed the most to relative performance. Most notably, strong selection among U.S. small-cap stocks lifted relative returns, as the strategy outpaced its style-specific benchmark. Selection within the allocations to emerging markets stocks, U.S. large-cap value stocks, and investment-grade debt also benefited performance. Conversely, selection among international developed markets equities and U.S. large-cap growth stocks hurt relative returns, as these allocations trailed their respective benchmarks.

The inclusion of diversifying sectors within fixed income also helped relative returns. The portfolio benefited from an allocation to emerging markets debt, which outpaced developed markets debt. In particular, emerging markets bonds performed well amid the broad recovery in risk assets early in the year and expectations for lower developed markets interest rates that took hold late in the period. Our exposure to high yield bonds also benefited returns, as falling Treasury rates drove investors to seek higher-returning assets. An unfavorable underweight allocation to the high yield sector early in the period partly offset this positive impact. We have since added to our exposure and are now overweight to high yield.

Overall, tactical decisions to overweight and underweight asset classes had a modest positive impact on relative returns. Our underweight allocation to cash relative to bonds and stocks proved favorable, as the tepid gains from cash lagged the strong returns in global stock and bond markets. An overweight to emerging markets stocks—which trailed equities in developed markets outside the U.S.—weighed on relative performance. Our overweight allocation to stocks outside the U.S. also hindered returns, as U.S. stocks outpaced international equities.

### How is the fund positioned?

As of June 30, 2019, we were underweight global stocks relative to bonds. Following the December sell-off in global equities, we purchased stocks at more reasonable valuations and the portfolio benefited from the ensuing market recovery. A sharp rally in equity markets followed this downturn, and stock prices again appeared to be expensive. At this late stage of the current economic cycle, we believe that global stock markets are vulnerable to heightened trade risks and diminishing earnings expectations. Given these risks, we trimmed our exposure to equities and increased our overweight to bonds. While bond yields remain relatively low, they offer diversification benefits that may prove helpful in volatile equity markets.

### Stocks

The portfolio remained overweight international stocks at the end of June, though we tapered our exposure over the period. While relative valuations for international stocks remain attractive, we have moderated our overweight in light of lower global growth expectations and risks related to trade tensions. We added to our overweight to emerging markets stocks, which offer attractive valuations, supported by rising consumption and strong corporate earnings, and may benefit from lower interest rates in developed markets and softer U.S. dollar expectations. Chinese stimulus could be a boon for emerging markets broadly, but the extent of this impact is uncertain. Conversely, the persistent trade tensions between the U.S. and China could pose a more sustained headwind.

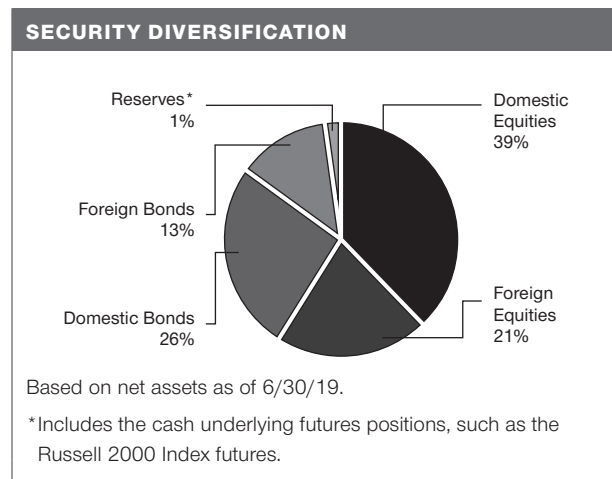
In the U.S., we remained overweight growth stocks. Notwithstanding the risk that the U.S.-China trade war poses for technology supply chains, we expect secular growth companies to benefit in a sustained low-growth environment. On the contrary, domestic value stocks lack a clear catalyst to advance. We trimmed our overweight to small-cap stocks relative to large-cap stocks over the period. Small-cap stocks were early beneficiaries from trade-related worries, but they are not immune to concerns that have also weighed on large-cap stocks, including a broader risk-off sentiment and global supply chain disruptions.

We remained underweight to real assets equities for the period. Our stance reflects our outlook for slower global growth in the near term and longer-term imbalances between energy supply and demand.

### **Bonds**

We moved to an underweight in U.S. investment-grade bonds, as yields remain low, with limited concerns from growth and inflation upside. A sharp sell-off in risk assets late in 2018 created attractive opportunities to add to our high yield exposure. The yield carry on high yield bonds is attractive while broadly positive corporate fundamentals and low default expectations continue to support the sector.

We were underweight nondollar international developed markets bonds at period-end. Developed markets bonds outside the U.S. have a less attractive outlook from the perspective of unhedged U.S. investors, due to their relatively long duration or sensitivity to interest rate changes. Finally, we trimmed our overweight to emerging markets bonds. Emerging markets debt yields remain attractive, but heightened political uncertainty and idiosyncratic risks in key markets could dampen returns. While demand for safe-haven assets could bolster the U.S. dollar, lower U.S.-economic growth and the likelihood of Fed rate cuts could lead to a stable or softer U.S. dollar, which would be supportive for emerging markets debt.



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

Risk assets performed strongly in the first half of 2019 as many of the fears that led to the late-2018 sell-off receded. Despite volatility over the latter half of the period driven by the resurgence of U.S.-China trade tensions and a moderating outlook for global growth, the Fed's dovish pivot and overall optimism helped spur equity markets higher. With the tailwind from U.S. fiscal stimulus fading, the anticipated boost to long-term growth through capital expenditure has failed to materialize, as uncertainty has discouraged spending. In Europe, monetary policy remains supportive with an accommodative central bank; however, unresolved Brexit negotiations and the region's vulnerability to trade disruptions and China's economy are significant headwinds. China's stimulus measures—though domestically focused—combined with a more stable U.S. dollar should be supportive of emerging economies.

The shift in Fed policy and a broader easing of financial and liquidity conditions have reduced the near-term likelihood of a recession but leave global central banks ill-equipped to respond to a pronounced downturn. While a step back from tightening policies may help to stabilize global growth, it will not, in our view, be sufficient to ignite a reacceleration in growth. Near-term risks to global markets include repercussions from potential monetary policy missteps and an escalation in trade tensions.

The return of sustained volatility—combined with above-average valuations in many asset classes against a backdrop filled with geopolitical and monetary policy risks—underscores the value of our strategic investment approach, in our view. Given the confluence of positive and negative forces on the horizon that can drive global financial markets, we believe that the Moderate Allocation Portfolio's broad diversification and our ability to adjust allocations in response to opportunities and risks will help us deliver solid long-term performance in a variety of environments.

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 June 30, 2019: 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 (FTSE 3-Month Treasury Bill Index).

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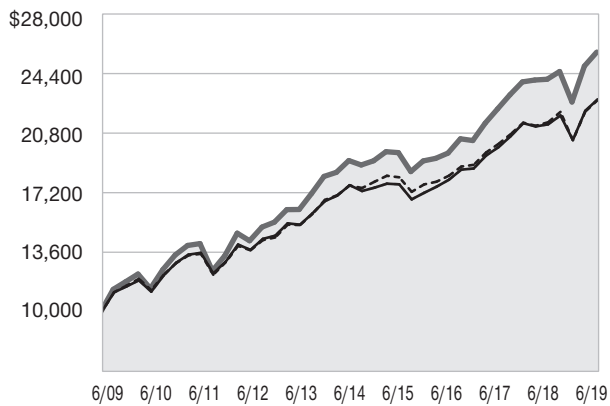
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## GROWTH OF \$10,000

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.

### MODERATE ALLOCATION PORTFOLIO



As of 6/30/19

— Moderate Allocation Portfolio	\$25,699
--- Morningstar Moderate Target Risk Index	22,842
— Linked Performance Benchmark*	22,842
--- Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	22,801

\*The linked performance benchmark reflects the performance of the Merrill Lynch-Wilshire Capital Market Index to 6/30/09 and the performance of the Morningstar Moderate Target Risk Index from 7/1/09 forward.

## AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/19	1 Year	5 Years	10 Years
Moderate Allocation Portfolio	6.83%	6.07%	9.90%

*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.

### MODERATE ALLOCATION PORTFOLIO

	Beginning Account Value 1/1/19	Ending Account Value 6/30/19	Expenses Paid During Period* 1/1/19 to 6/30/19
Actual	\$1,000.00	\$1,133.00	\$3.81
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.22	3.61

\*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.72%), 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 MODERATE ALLOCATION PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 18.31	\$ 21.09	\$ 19.17	\$ 18.73	\$ 20.56	\$ 21.33
Investment activities						
Net investment income <sup>(1) (2)</sup>	0.20	0.39	0.30	0.31	0.34	0.33
Net realized and unrealized gain/loss	2.23	(1.44)	3.02	0.89	(0.35)	0.75
Total from investment activities	2.43	(1.05)	3.32	1.20	(0.01)	1.08
Distributions						
Net investment income	(0.21)	(0.38)	(0.32)	(0.32)	(0.36)	(0.36)
Net realized gain	-	(1.35)	(1.08)	(0.44)	(1.46)	(1.49)
Total distributions	(0.21)	(1.73)	(1.40)	(0.76)	(1.82)	(1.85)
<b>NET ASSET VALUE</b>						
End of period	\$ 20.53	\$ 18.31	\$ 21.09	\$ 19.17	\$ 18.73	\$ 20.56
<b>Ratios/Supplemental Data</b>						
Total return <sup>(2) (3)</sup>	13.30%	(5.08)%	17.41%	6.45%	(0.05)%	5.20%
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.85% <sup>(4)</sup>	0.88%	0.90%	0.90%	0.90%	0.90%
Net expenses after waivers/payments by Price Associates	0.72% <sup>(4)</sup>	0.76%	0.78%	0.77%	0.77%	0.77%
Net investment income	2.06% <sup>(4)</sup>	1.84%	1.43%	1.63%	1.66%	1.51%
Portfolio turnover rate	44.4%	77.0%	61.8%	75.4%	71.5%	62.1%
Net assets, end of period (in thousands)	\$ 181,129	\$ 166,744	\$ 184,401	\$ 159,611	\$ 163,344	\$ 188,404

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(4)</sup> Annualized

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

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

June 30, 2019 (Unaudited)

**PORTFOLIO OF INVESTMENTS†**

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>COMMON STOCKS 53.9%</b>		
<b>Communication Services 4.6%</b>		
<b>Diversified Telecommunication Services 0.5%</b>		
KT (KRW)	2,947	73
Nippon Telegraph & Telephone (JPY)	10,100	470
Telecom Italia (EUR) (1)	116,932	60
Telefonica (EUR)	13,109	108
Telefonica Deutschland Holding (EUR)	42,121	118
Telstra (AUD)	11,787	32
Verizon Communications	2,568	147
		1,008
<b>Entertainment 0.6%</b>		
Electronic Arts (2)	1,890	191
Fox, Class B	3,827	140
Netflix (2)	1,439	528
Walt Disney	993	139
Zynga, Class A (2)	8,440	52
		1,050
<b>Interactive Media &amp; Services 2.9%</b>		
Alphabet, Class A (2)	326	353
Alphabet, Class C (2)	1,364	1,474
Baidu, ADR (2)	566	66
Cargurus (2)	242	9
Facebook, Class A (2)	10,653	2,056
IAC/InterActiveCorp (2)	706	154
NAVER (KRW)	550	54
Tencent Holdings (HKD)	18,800	851
Yahoo Japan (JPY)	21,600	64
YY, ADR (2)	1,497	104
		5,185
<b>Media 0.4%</b>		
Cable One	99	116
Comcast, Class A	4,524	191
CyberAgent (JPY)	2,200	80
Eutelsat Communications (EUR)	5,978	112

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Stroeer (EUR)	1,479	111
WPP (GBP)	14,104	178
		788
<b>Wireless Telecommunication Services 0.2%</b>		
SoftBank Group (JPY)	2,400	116
Vodafone Group, ADR	12,209	199
		315
Total Communication Services		8,346
<b>Consumer Discretionary 6.4%</b>		
<b>Auto Components 0.5%</b>		
Aisin Seiki (JPY)	1,700	59
Aptiv	2,597	210
Autoliv, SDR (SEK)	1,307	92
Gentherm (2)	886	37
Knorr-Bremse (EUR)	1,015	113
Magna International	4,150	206
Stanley Electric (JPY)	3,100	77
Sumitomo Rubber Industries (JPY) (1)	4,000	46
Visteon (2)	531	31
		871
<b>Automobiles 0.3%</b>		
Ferrari	264	43
Honda Motor (JPY)	2,700	70
Suzuki Motor (JPY)	2,800	132
Toyota Motor (JPY)	5,100	316
		561
<b>Diversified Consumer Services 0.1%</b>		
American Public Education (2)	441	13
Bright Horizons Family Solutions (2)	366	55
Chegg (2)	722	28
J2 Acquisition (2)	2,506	22
J2 Acquisition, Warrants, 10/10/20 (2)	2,406	1
Strategic Education	40	7
		126



	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Hotels, Restaurants &amp; Leisure 1.1%</b>		
Boyd Gaming	220	6
Chuy's Holdings (2)	927	21
Compass Group (GBP)	6,643	159
Denny's (2)	2,590	53
Domino's Pizza	141	39
Dunkin' Brands Group	873	70
Fiesta Restaurant Group (2)	1,209	16
Hilton Worldwide Holdings	1,726	169
Marriott International, Class A	1,519	213
McDonald's	2,804	582
Norwegian Cruise Line Holdings (2)	417	22
OneSpaWorld Holdings (2)	1,070	17
Papa John's International	850	38
Red Robin Gourmet Burgers (2)	802	25
Restaurant Brands International	1,068	74
Royal Caribbean Cruises	1,205	146
Wingstop	583	55
Wynn Resorts	661	82
Yum! Brands	1,244	138
		1,925
<b>Household Durables 0.3%</b>		
Cavco Industries (2)	163	26
Panasonic (JPY)	14,300	119
Persimmon (GBP)	4,748	121
Skyline Champion (2)	1,292	35
Sony (JPY)	2,200	116
Tempur Sealy International (2)	969	71
TRI Pointe Group (2)	3,313	40
		528
<b>Internet &amp; Direct Marketing Retail 2.8%</b>		
A Place for Rover, Acquisition Date: 5/25/18, Cost: \$-(2)(3)(4)	52	—
Alibaba Group Holding, ADR (2)	7,256	1,230
Amazon.com (2)	1,666	3,155
ASOS (GBP) (1)(2)	1,926	62
Booking Holdings (2)	317	594
Ctrip.com International, ADR (2)	1,532	57

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Zalando (EUR) (2)	1,896	84
		5,182
<b>Multiline Retail 0.5%</b>		
Dollar General	2,500	338
Dollar Tree (2)	4,238	455
Ollie's Bargain Outlet Holdings (2)	932	81
Tuesday Morning (2)	4,300	7
		881
<b>Specialty Retail 0.5%</b>		
Aaron's	1,480	91
Burlington Stores (2)	553	94
Five Below (2)	192	23
Kingfisher (GBP)	48,398	132
Michaels (2)	2,750	24
Monro	1,424	121
National Vision Holdings (2)	429	13
RH (2)	109	13
Ross Stores	4,025	399
Ulta Beauty (2)	167	58
		968
<b>Textiles, Apparel &amp; Luxury Goods 0.3%</b>		
Allbirds, Acquisition Date: 10/10/18 - 12/21/18, Cost: \$6 (2)(3)(4)	116	6
Burberry Group (GBP)	6,584	156
Kering (EUR)	298	176
Moncler (EUR)	3,721	160
Samsonite International (HKD)	26,700	61
VF	566	50
		609
Total Consumer Discretionary		11,651
<b>Consumer Staples 2.7%</b>		
<b>Beverages 0.2%</b>		
Boston Beer, Class A (2)	277	105
Constellation Brands, Class A	17	3
Diageo (GBP)	5,705	246

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Kirin Holdings (JPY)	4,000	86
		440
<b>Food &amp; Staples Retailing 0.3%</b>		
Performance Food Group (2)	1,283	51
Seven & i Holdings (JPY)	4,900	166
Walmart	2,249	249
Welcia Holdings (JPY)	900	37
		503
<b>Food Products 1.6%</b>		
Cal-Maine Foods	1,331	56
Collier Creek Holdings (2)	1,436	15
Conagra Brands	14,800	393
Kraft Heinz	700	22
Nestle (CHF)	8,165	845
Nomad Foods (2)	1,567	33
Post Holdings (2)	764	79
Sanderson Farms	414	57
Simply Good Foods (2)	2,149	52
TreeHouse Foods (2)	1,302	70
Tyson Foods, Class A	14,451	1,167
Wilmar International (SGD)	46,200	126
		2,915
<b>Personal Products 0.5%</b>		
L'Oreal (EUR)	922	262
Pola Orbis Holdings (JPY) (1)	2,000	56
Unilever (GBP)	9,880	613
		931
<b>Tobacco 0.1%</b>		
Philip Morris International	2,361	185
		185
Total Consumer Staples		4,974
<b>Energy 1.8%</b>		
<b>Energy Equipment &amp; Services 0.1%</b>		
Computer Modelling Group (CAD)	1,550	9
Dril-Quip (2)	431	21

	Shares/Par	\$ Value
(Cost and value in \$000s)		
WorleyParsons (AUD)	10,736	111
		141
<b>Oil, Gas &amp; Consumable Fuels 1.7%</b>		
BP, ADR	6,714	280
Centennial Resource Development, Class A (2)	1,877	14
Concho Resources	1,533	158
ConocoPhillips	1,153	70
Devon Energy	3,600	103
Diamondback Energy	378	41
EOG Resources	850	79
Equinor (NOK)	8,646	171
Jagged Peak Energy (2)	2,157	18
Kosmos Energy	816	5
Magnolia Oil & Gas, Class A (2)	2,250	26
Matador Resources (2)	544	11
New Fortress Energy (2)	665	8
Occidental Petroleum	6,797	342
Pioneer Natural Resources	480	74
Royal Dutch Shell, Class B, ADR	4,439	292
Seven Generations Energy, Class A (CAD) (2)	2,820	14
Targa Resources	2,843	112
TC Energy	9,033	447
TOTAL (EUR)	7,267	408
TOTAL, ADR	7,659	427
Venture Global LNG, Series B, Acquisition Date: 3/8/18, Cost: \$3 (2)(3)(4)	1	5
Venture Global LNG, Series C, Acquisition Date: 5/25/17 - 3/8/18, Cost: \$18 (2)(3)(4)	5	26
		3,131
Total Energy		3,272
<b>Financials 8.0%</b>		
<b>Banks 3.3%</b>		
ABN AMRO Group, GDR (EUR)	7,656	164
Atlantic Capital Bancshares (2)	1,031	18
Australia & New Zealand Banking Group (AUD)	8,905	177

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Bank of America	36,056	1,046
BankUnited	1,675	57
Barclays, ADR	3,304	25
BNP Paribas (EUR)	4,911	233
Bridge Bancorp	1,040	31
CenterState Bank	1,363	31
Citigroup	340	24
Columbia Banking System	662	24
Commerzbank (EUR)	4,933	35
Crossfirst Bankshares, Acquisition Date: 10/23/18, Cost: \$7 (2)(3)(4)	490	7
Danske Bank (DKK)	6,043	96
DBS Group Holdings (SGD)	10,675	205
DNB (NOK)	13,935	260
Equity Bancshares, Class A (2)	700	19
Erste Group Bank (EUR)	1,560	58
FB Financial	1,151	42
Fifth Third Bancorp	11,023	308
First Bancshares	550	17
Grasshopper Bancorp, Acquisition Date: 10/12/18 - 5/2/19, Cost: \$5 (2)(3)(4)	528	5
Grasshopper Bancorp, Warrants, 10/12/28, Acquisition Date: 10/12/18, Cost: \$- (2)(3)(4)	104	—
Heritage Commerce	2,064	25
Heritage Financial	996	29
Home BancShares	3,480	67
Hope Bancorp	1,600	22
Independent Bank	287	22
Independent Bank Group	893	49
ING Groep (EUR)	18,933	219
Intesa Sanpaolo (EUR)	45,691	98
Investors Bancorp	2,700	30
JPMorgan Chase	2,063	231
Live Oak Bancshares	1,150	20
Lloyds Banking Group (GBP)	243,520	175
Mitsubishi UFJ Financial Group (JPY)	39,500	188

	Shares/Par	\$ Value
(Cost and value in \$000s)		
National Bank of Canada (CAD) (1)	3,800	181
Nordea Bank (SEK)	13,016	94
Origin Bancorp	771	25
Pacific Premier Bancorp	918	28
Pinnacle Financial Partners	1,106	64
PNC Financial Services Group	1,030	141
Prosperity Bancshares	704	46
Seacoast Banking (2)	2,019	51
Sound Bank, Acquisition Date: 5/6/19, Cost: \$3 (2)(3)(4)	307	3
Sound Bank, Acquisition Date: 5/6/19, Cost: \$2 (2)(3)(4)	151	1
Sound Bank, Warrants, 5/6/24, Acquisition Date: 5/6/19, Cost: \$- (2)(3)(4)	46	—
South State	559	41
Standard Chartered (GBP)	14,425	131
Sumitomo Mitsui Trust Holdings (JPY)	3,335	121
Svenska Handelsbanken, A Shares (SEK)	18,422	182
Texas Capital Bancshares (2)	370	23
Towne Bank	1,166	32
United Overseas Bank (SGD)	5,800	112
Webster Financial	650	31
Wells Fargo	12,268	581
Western Alliance Bancorp (2)	1,343	60
		6,005
<b>Capital Markets 1.2%</b>		
Ameriprise Financial	213	31
Cboe Global Markets	971	101
Charles Schwab	5,310	213
Close Brothers Group (GBP)	1,495	27
GAM Holding (CHF) (2)	4,451	20
Goldman Sachs Group	20	4
Intercontinental Exchange	7,994	687
Macquarie Group (AUD)	2,049	181
Moody's	40	8
Morgan Stanley	7,665	336
Raymond James Financial	141	12

	Shares/Par	\$ Value
(Cost and value in \$000s)		
S&P Global	553	126
TD Ameritrade Holding	7,521	375
		2,121
<b>Consumer Finance 0.1%</b>		
Encore Capital Group (2)	1,586	54
Green Dot, Class A (2)	110	5
PRA Group (2)	1,915	54
		113
<b>Diversified Financial Services 0.2%</b>		
Challenger (AUD)	21,564	101
Element Fleet Management (CAD)	22,309	163
Mitsubishi UFJ Lease & Finance (JPY)	15,300	81
		345
<b>Insurance 3.1%</b>		
AIA Group (HKD)	17,800	192
American International Group	23,258	1,239
Assurant	701	75
Aviva (GBP)	24,935	132
AXA (EUR)	11,430	300
Axis Capital Holdings	854	51
Chubb	2,531	373
Direct Line Insurance Group (GBP)	39,589	167
Hanover Insurance Group	473	61
Marsh & McLennan	4,118	411
Munich Re (EUR)	1,135	284
PICC Property & Casualty, Class H (HKD)	68,000	73
Ping An Insurance Group, H Shares (HKD)	16,500	198
Progressive	275	22
Prudential (GBP)	13,527	295
Prudential Financial	946	96
RSA Insurance Group (GBP)	11,338	83
Safety Insurance Group	322	31
Selective Insurance Group	1,309	98
State Auto Financial	610	21
Storebrand (NOK)	21,625	159

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Sun Life Financial (CAD)	5,975	247
Tokio Marine Holdings (JPY)	4,500	226
Willis Towers Watson	3,304	633
Zurich Insurance Group (CHF)	631	220
		5,687
<b>Thriffs &amp; Mortgage Finance 0.1%</b>		
Capitol Federal Financial	2,897	40
Essent Group (2)	630	30
Meridian Bancorp	2,225	40
PennyMac Financial Services	1,605	35
Radian Group	1,585	36
Sterling Bancorp	1,679	17
WSFS Financial	617	25
		223
Total Financials		14,494

**Health Care 8.8%****Biotechnology 0.9%**

Accelaron Pharma (2)	610	25
Agios Pharmaceuticals (2)	305	15
Aimmune Therapeutics (2)	855	18
Alder Biopharmaceuticals (2)	1,954	23
Alexion Pharmaceuticals (2)	1,547	203
Allogene Therapeutics (2)	160	4
AnaptysBio (2)	133	8
Argenx, ADR (2)	322	46
Ascendis Pharma, ADR (2)	1,113	128
Autolus Therapeutics, ADR (2)	107	2
BeiGene, ADR (2)	29	4
Blueprint Medicines (2)	466	44
Cara Therapeutics (2)	335	7
Corvus Pharmaceuticals (2)	370	1
Crinetics Pharmaceuticals (2)	250	6
CSL (AUD)	559	85
CytomX Therapeutics (2)	411	5
Enanta Pharmaceuticals (2)	50	4
G1 Therapeutics (2)	188	6
Global Blood Therapeutics (2)	963	51
GlycoMimetics (2)	443	5

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Guardant Health (2)	62	5
Homology Medicines (2)	274	5
ImmunoGen (2)	411	1
Immunomedics (2)	860	12
Insmmed (2)	1,578	40
Krystal Biotech (2)	105	4
Madrigal Pharmaceuticals (2)	47	5
Momenta Pharmaceuticals (2)	943	12
Orchard Therapeutics, ADR (2)	793	11
Principia Biopharma (2)	345	11
PTC Therapeutics (2)	360	16
Radius Health (2)	1,670	41
Sage Therapeutics (2)	602	110
Sarepta Therapeutics (2)	80	12
Scholar Rock Holding (2)	219	4
Seattle Genetics (2)	261	18
Tricida (2)	313	12
Ultragenyx Pharmaceutical (2)	580	37
Vertex Pharmaceuticals (2)	2,614	479
Xencor (2)	861	35
		1,560
<b>Health Care Equipment &amp; Supplies 3.2%</b>		
Abbott Laboratories	894	75
Alcon (CHF) (2)	1,218	75
Alcon (2)	3,162	196
AtriCure (2)	560	17
Avanos Medical (2)	1,274	56
Becton Dickinson & Company	4,162	1,049
Boston Scientific (2)	6,688	288
Danaher	7,884	1,127
Elekta, B Shares (SEK)	9,565	139
GN Store Nord (DKK)	2,089	98
Hologic (2)	106	5
ICU Medical (2)	156	39
Intuitive Surgical (2)	853	447
iRhythm Technologies (2)	56	4
JAND, Class A, Acquisition Date: 3/9/18, Cost: \$7 (2)(3)(4)	443	7
Koninklijke Philips (EUR)	10,122	440
Medtronic	4,455	434

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Nevro (2)	406	26
NuVasive (2)	503	29
Pax Labs, Class A, Acquisition Date: 4/18/19, Cost: \$15 (2)(3)(4)	966	15
Quidel (2)	1,061	63
Shockwave Medical (2)	97	6
STERIS	536	80
Stryker	4,353	895
Teleflex	300	99
Wright Medical Group (2)	1,168	35
Zimmer Biomet Holdings	1,030	121
		5,865
<b>Health Care Providers &amp; Services 1.7%</b>		
Acadia Healthcare (2)	1,219	42
Amedisys (2)	403	49
Anthem	2,223	627
Centene (2)	2,057	108
Cigna	5,364	845
Cross Country Healthcare (2)	1,345	13
Fresenius (EUR)	3,724	202
Hanger (2)	1,605	31
HCA Healthcare	447	60
Humana	98	26
Miraca Holdings (JPY)	1,700	39
Molina Healthcare (2)	787	113
U.S. Physical Therapy	365	45
UnitedHealth Group	3,123	762
WellCare Health Plans (2)	621	177
		3,139
<b>Health Care Technology 0.1%</b>		
HMS Holdings (2)	1,404	45
Siemens Healthineers (EUR)	2,480	105
		150
<b>Life Sciences Tools &amp; Services 0.7%</b>		
Adaptive Biotechnologies (2)	214	10
Agilent Technologies	507	38
Bruker	1,381	69
Illumina (2)	9	3

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Thermo Fisher Scientific	3,868	1,136
		1,256
<b>Pharmaceuticals 2.2%</b>		
Amneal Pharmaceuticals (2)	1,060	8
Astellas Pharma (JPY)	22,000	313
Bayer (EUR)	4,341	301
Catalent (2)	1,615	88
Elanco Animal Health (2)	6,585	223
Eli Lilly	79	9
GlaxoSmithKline, ADR	6,150	246
Johnson & Johnson	710	99
Merck	4,402	369
MyoKardia (2)	556	28
Novartis (CHF)	5,842	533
Novo Nordisk, Class B (DKK)	2,042	104
Odonate Therapeutics (2)	116	4
Pfizer	15,424	668
Reata Pharmaceuticals, Class A (2)	70	7
Roche Holding (CHF)	1,814	510
Sanofi (EUR)	3,140	271
Takeda Pharmaceutical, ADR	3,661	65
TherapeuticsMD (2)	8,278	21
Turning Point Therapeutics (2)	123	5
WaVe Life Sciences (2)	136	4
Zoetis	190	22
		3,898
Total Health Care		15,868
<b>Industrials &amp; Business Services 5.7%</b>		
<b>Aerospace &amp; Defense 1.8%</b>		
Aerojet Rocketdyne Holdings (2)	1,638	73
Boeing	4,911	1,788
BWX Technologies	1,465	76
Cubic	1,039	67
Harris	1,052	199
Meggitt (GBP)	30,494	203
Moog, Class A	371	35
Northrop Grumman	1,793	580

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Spirit AeroSystems Holdings, Class A	2,130	173
Teledyne Technologies (2)	528	145
		3,339
<b>Air Freight &amp; Logistics 0.0%</b>		
United Parcel Service, Class B	690	71
		71
<b>Airlines 0.1%</b>		
Alclear Holdings, Class B, Acquisition Date: 3/6/18 - 12/13/18, Cost: \$18 (2)(3)(4)(6)	118	27
Delta Air Lines	689	39
Hawaiian Holdings	1,150	31
United Continental Holdings (2)	1,931	169
		266
<b>Building Products 0.1%</b>		
CSW Industrials	318	22
Gibraltar Industries (2)	1,208	49
PGT Innovations (2)	1,592	26
Quanex Building Products	1,062	20
Simpson Manufacturing	551	37
		154
<b>Commercial Services &amp; Supplies 0.3%</b>		
Brink's	1,409	114
Cintas	189	45
Heritage-Crystal Clean (2)	942	25
Rentokil Initial (GBP)	10,412	53
Republic Services	1,535	133
Stericycle (2)	220	10
Team (2)	1,470	23
Waste Connections	762	73
		476
<b>Construction &amp; Engineering 0.1%</b>		
Fluor	200	6
Jacobs Engineering Group	886	75
Valmont Industries	361	46
		127

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Electrical Equipment 0.5%</b>		
ABB (CHF)	9,381	188
AZZ	1,031	48
Bloom Energy, Class A (2)	1,085	13
Legrand (EUR)	1,565	114
Melrose Industries (GBP)	50,185	115
Mitsubishi Electric (JPY)	20,500	271
Prysmian (EUR)	4,964	103
Thermon Group Holdings (2)	850	22
		874
<b>Industrial Conglomerates 1.4%</b>		
CK Hutchison Holdings (HKD)	18,784	185
DCC (GBP)	1,733	155
General Electric	68,544	720
Honeywell International	3,609	630
Roper Technologies	1,122	411
Siemens (EUR)	3,798	452
		2,553
<b>Machinery 0.6%</b>		
Barnes Group	510	29
Chart Industries (2)	784	60
ESCO Technologies	951	79
Federal Signal	270	7
Fortive	2,883	235
Gardner Denver Holdings (2)	1,320	46
Graco	890	45
Helios Technologies	479	22
John Bean Technologies	893	108
Luxfer Holdings	800	20
Mueller Water Products, Class A	3,670	36
REV Group	950	14
SMC (JPY)	300	112
THK (JPY)	5,900	142
Toro	964	64
Xylem	30	2
		1,021

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Marine 0.0%</b>		
Matson	1,678	65
		65
<b>Professional Services 0.2%</b>		
CoStar Group (2)	51	28
Huron Consulting Group (2)	340	17
IHS Markit (2)	264	17
Nielsen Holdings	321	7
Recruit Holdings (JPY)	4,500	151
TechnoPro Holdings (JPY)	1,000	54
		274
<b>Road &amp; Rail 0.3%</b>		
Canadian Pacific Railway	554	130
Central Japan Railway (JPY)	700	140
CSX	1,725	134
Genesee & Wyoming, Class A (2)	240	24
JB Hunt Transport Services	33	3
Kansas City Southern	121	15
Knight-Swift Transportation Holdings	315	10
Landstar System	290	31
Norfolk Southern	120	24
Schneider National, Class B	1,181	22
Union Pacific	286	48
		581
<b>Trading Companies &amp; Distributors 0.3%</b>		
Mitsubishi (JPY)	6,100	161
SiteOne Landscape Supply (2)	1,253	87
Sumitomo (JPY)	17,800	270
		518
Total Industrials & Business Services		10,319
<b>Information Technology 10.1%</b>		
<b>Communications Equipment 0.7%</b>		
Cisco Systems	13,252	725
LM Ericsson, B Shares (SEK)	12,697	121
Motorola Solutions	1,981	330
		1,176

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Electronic Equipment, Instruments &amp; Components 0.6%</b>		
Corning	66	2
CTS	1,160	32
Hamamatsu Photonics (JPY)	2,000	78
Keysight Technologies (2)	3,586	322
Largan Precision (TWD)	1,000	125
Littelfuse	90	16
Murata Manufacturing (JPY)	2,500	112
National Instruments	1,704	71
Novanta (2)	1,015	96
Omron (JPY)	2,300	121
TE Connectivity	290	28
		1,003
<b>IT Services 2.7%</b>		
ANT International, Class C, Acquisition Date: 6/7/18, Cost: \$61 (2)(3)(4)	10,922	61
Automatic Data Processing	210	35
Booz Allen Hamilton Holding	1,284	85
Cognizant Technology Solutions, Class A	1,000	63
Euronet Worldwide (2)	359	60
Evo Payments, Class A (2)	332	10
Fidelity National Information Services	3,664	449
Fiserv (2)	4,176	381
FleetCor Technologies (2)	444	125
Global Payments	3,145	504
GTT Communications (2)	977	17
Mastercard, Class A	3,792	1,003
Okta (2)	70	9
Parsons (2)	408	15
PayPal Holdings (2)	5,175	592
ServiceTitan, Acquisition Date: 11/9/18, Cost: \$- (2)(3)(4)	19	1
StoneCo, Class A (2)	1,862	55
Tucows, Class A (2)	244	15
Visa, Class A	6,804	1,181
Worldpay, Class A (2)	1,925	236
		4,897

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Semiconductors &amp; Semiconductor Equipment 1.9%</b>		
Analog Devices	2,379	269
Applied Materials	1,290	58
ASML Holding	719	150
ASML Holding (EUR)	856	178
Broadcom	1,709	492
Entegris	2,153	80
Inphi (2)	962	48
KLA-Tencor	390	46
Lam Research	61	12
Lattice Semiconductor (2)	5,277	77
Marvell Technology Group	3,430	82
Maxim Integrated Products	1,946	116
Microchip Technology	164	14
Micron Technology (2)	4,768	184
MKS Instruments	250	20
Monolithic Power Systems	150	20
NVIDIA	160	26
NXP Semiconductors	5,278	515
PDF Solutions (2)	1,439	19
QUALCOMM	5,784	440
Renesas Electronics (JPY) (2)	9,600	48
Taiwan Semiconductor Manufacturing (TWD)	42,219	323
Texas Instruments	1,003	115
Tokyo Electron (JPY)	1,000	141
Xilinx	342	40
		3,513
<b>Software 4.0%</b>		
Atlassian, Class A (2)	231	30
Ceridian HCM Holding (2)	524	26
Checkr, Acquisition Date: 6/29/18, Cost: \$1 (2)(3)(4)	72	1
Coupa Software (2)	585	74
Descartes Systems Group (2)	2,352	87
Five9 (2)	875	45
Intuit	2,333	610
Microsoft	26,860	3,598



	Shares/Par	\$ Value
(Cost and value in \$000s)		
Pagerduty, Acquisition Date: 8/24/18 - 9/28/18, Cost: \$10 (2)(3)	602	27
Pagerduty (2)	95	5
Paycom Software (2)	150	34
Pluralsight, Class A (2)	639	19
Proofpoint (2)	517	62
Salesforce.com (2)	3,757	570
ServiceNow (2)	2,286	628
Splunk (2)	1,840	231
SS&C Technologies Holdings	1,841	106
Synopsys (2)	2,698	347
Tableau Software, Class A (2)	473	79
Toast, Acquisition Date: 9/14/18, Cost: \$- (2)(3)(4)	1	—
VMware, Class A	1,428	239
Workday, Class A (2)	1,899	390
Zendesk (2)	725	65
Zoom Video Communications, Class A (2)	83	7
		7,280

**Technology Hardware, Storage & Peripherals 0.2%**

Apple	310	61
Pure Storage, Class A (2)	621	10
Samsung Electronics (KRW)	7,509	306
		377
Total Information Technology		18,246

**Materials 2.1%****Chemicals 1.1%**

Air Liquide (EUR)	1,269	178
Air Products & Chemicals	1,396	316
Asahi Kasei (JPY)	16,100	172
BASF (EUR)	2,384	173
CF Industries Holdings	1,900	89
Covestro (EUR)	1,717	87
DuPont de Nemours	2,382	179
GCP Applied Technologies (2)	328	7
Johnson Matthey (GBP)	3,713	157
Linde	1,970	396
Minerals Technologies	350	19

	Shares/Par	\$ Value
(Cost and value in \$000s)		
PolyOne	740	23
Quaker Chemical	154	31
Sherwin-Williams	96	44
Tosoh (JPY)	1,700	24
Umicore (EUR) (1)	3,362	108
		2,003

**Containers & Packaging 0.4%**

Amcor (AUD)	10,853	124
Ball	3,861	270
International Paper	2,147	93
Packaging Corp. of America	2,170	207
		694

**Metals & Mining 0.5%**

Antofagasta (GBP)	11,664	138
BHP Group (AUD)	1,599	46
BHP Group (GBP)	7,380	189
Constellium, Class A (2)	1,670	17
Franco-Nevada (CAD)	430	36
Haynes International	780	25
Independence Group (AUD)	30,340	101
Mitsui Mining & Smelting (JPY)	2,200	53
Northern Star Resources (AUD)	6,179	51
Osisko Gold Royalties (CAD) (1)	1,670	17
Rio Tinto (AUD)	1,149	84
South32 (AUD)	33,050	74
		831

**Paper & Forest Products 0.1%**

Stora Enso, R Shares (EUR)	13,334	157
West Fraser Timber (CAD)	1,179	54
		211
Total Materials		3,739

**Real Estate 1.3%****Equity Real Estate Investment Trusts 1.1%**

Acadia Realty Trust, REIT	1,014	28
Alexander & Baldwin, REIT	1,399	32
American Campus Communities, REIT	1,423	66
American Tower, REIT	22	4

	Shares/Par	\$ Value
(Cost and value in \$000s)		
AvalonBay Communities, REIT	80	16
Community Healthcare Trust, REIT	270	11
Crown Castle International, REIT	955	124
CubeSmart, REIT	1,212	40
EastGroup Properties, REIT	869	101
First Industrial Realty Trust, REIT	702	26
Great Portland Estates (GBP)	8,964	78
JBG SMITH Properties, REIT	1,985	78
Paramount Group, REIT	2,040	29
Prologis, REIT	7,180	575
PS Business Parks, REIT	629	106
Public Storage, REIT	1,344	320
Regency Centers, REIT	414	28
Rexford Industrial Realty, REIT	1,380	56
Scentre Group (AUD)	38,854	105
Unibail-Rodamco-Westfield (EUR)	509	76
Ventas, REIT	2,332	159
		2,058
<b>Real Estate Management &amp; Development 0.2%</b>		
Colliers International Group	274	19
FirstService	1,081	104
Mitsui Fudosan (JPY)	6,900	168
Redfin (2)	1,046	19
		310
Total Real Estate		2,368
<b>Utilities 2.3%</b>		
<b>Electric Utilities 1.2%</b>		
Edison International	2,597	175
Entergy	5,140	529
Eversource	1,888	114
NextEra Energy	4,456	913
PNM Resources	2,215	113
Southern	5,937	328
		2,172
<b>Gas Utilities 0.2%</b>		
Beijing Enterprises Holdings (HKD)	15,000	76

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Chesapeake Utilities	551	52
ONE Gas	1,371	124
Southwest Gas Holdings	1,160	104
		356
<b>Independent Power &amp; Renewable Electricity Producers 0.1%</b>		
Electric Power Development, Class C (JPY)	4,800	109
NextEra Energy Partners	610	30
		139
<b>Multi-Utilities 0.7%</b>		
E.ON (EUR)	5,897	64
Engie (EUR)	14,761	224
National Grid (GBP)	13,580	144
NiSource	6,474	186
Sempra Energy	5,840	803
		1,421
<b>Water Utilities 0.1%</b>		
California Water Service Group	844	43
Middlesex Water	409	24
SJW Group	727	44
		111
Total Utilities		4,199
Total Miscellaneous Common Stocks 0.1% (7)		195
<b>Total Common Stocks (Cost \$61,243)</b>		<b>97,671</b>

**CONVERTIBLE PREFERRED STOCKS 0.3%****Consumer Discretionary 0.0%****Diversified Consumer Services 0.0%**

1stdibs.com, Series D, Acquisition Date: 2/7/19, Cost: \$6 (2)(3)(4)	1,120	6
		6

**Internet & Direct Marketing Retail 0.0%**

A Place for Rover, Series G, Acquisition Date: 5/11/18, Cost: \$6 (2)(3)(4)	741	5
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	Shares/Par	\$ Value
(Cost and value in \$000s)		
Roofoods, Series F, Acquisition Date: 9/12/17, Cost: \$19 (2)(3)(4)	53	20
Roofoods, Series G, Acquisition Date: 5/16/19, Cost: \$1 (2)(3)(4)	2	1
		26
<b>Specialty Retail 0.0%</b>		
Vroom, Series F, Acquisition Date: 6/30/17, Cost: \$8 (2)(3)(4)	480	9
		9
<b>Textiles, Apparel &amp; Luxury Goods 0.0%</b>		
Allbirds, Series A, Acquisition Date: 10/10/18, Cost: \$2 (2)(3)(4)	38	2
Allbirds, Series B, Acquisition Date: 10/10/18, Cost: \$- (2)(3)(4)	7	—
Allbirds, Series C, Acquisition Date: 10/9/18, Cost: \$4 (2)(3)(4)	64	4
Allbirds, Series Seed, Acquisition Date: 10/10/18, Cost: \$1 (2)(3)(4)	20	1
		7
Total Consumer Discretionary		48
<b>Consumer Staples 0.0%</b>		
<b>Food Products 0.0%</b>		
Farmers Business Network, Series D, Acquisition Date: 11/3/17, Cost: \$14 (2)(3)(4)	733	17
Total Consumer Staples		17
<b>Health Care 0.1%</b>		
<b>Health Care Equipment &amp; Supplies 0.1%</b>		
Becton Dickinson & Company, Series A, 6.125%, 5/1/20	949	59
JAND, Series E, Acquisition Date: 3/9/18, Cost: \$9 (2)(3)(4)	546	8
Total Health Care		67

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Industrials &amp; Business Services 0.1%</b>		
<b>Machinery 0.1%</b>		
Fortive, Series A, 5.00%, 7/1/21	45	46
		46
<b>Road &amp; Rail 0.0%</b>		
Convoy, Series C, Acquisition Date: 9/14/18, Cost: \$9 (2)(3)(4)	1,241	9
		9
Total Industrials & Business Services		55
<b>Information Technology 0.0%</b>		
<b>IT Services 0.0%</b>		
ServiceTitan, Series D, Acquisition Date: 11/9/18, Cost: \$5 (2)(3)(4)	184	5
		5
<b>Software 0.0%</b>		
Checkr, Series C, Acquisition Date: 4/10/18, Cost: \$4 (2)(3)(4)	300	5
Plex Systems Holdings, Series B, Acquisition Date: 6/9/14, Cost: \$5 (2)(3)(4)	2,270	6
Seismic Software, Series E, Acquisition Date: 12/13/18, Cost: \$7 (2)(3)(4)	223	7
Toast, Series B, Acquisition Date: 9/14/18, Cost: \$- (2)(3)(4)	10	—
Toast, Series D, Acquisition Date: 6/27/18, Cost: \$13 (2)(3)(4)	737	20
		38
Total Information Technology		43
<b>Utilities 0.1%</b>		
<b>Electric Utilities 0.1%</b>		
NextEra Energy, 6.123%, 9/1/19	1,958	129
		129
<b>Multi-Utilities 0.0%</b>		
Sempra Energy, Series A, 6.00%, 1/15/21	570	64

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Sempra Energy, Series B, 6.75%, 7/15/21	301	34
		98
Total Utilities		227
<b>Total Convertible Preferred Stocks (Cost \$387)</b>		<b>457</b>

**CONVERTIBLE BONDS 0.0%**

Ctrip.com International, 1.25%, 9/15/22	45,000	45
<b>Total Convertible Bonds (Cost \$47)</b>		<b>45</b>

**CORPORATE BONDS 7.3%**

AbbVie, 3.60%, 5/14/25	85,000	88
AbbVie, 4.70%, 5/14/45	30,000	31
AbbVie, 4.875%, 11/14/48	10,000	10
AerCap Ireland Capital, 4.875%, 1/16/24	175,000	188
Alexandria Real Estate Equities, 3.45%, 4/30/25	40,000	41
Alexandria Real Estate Equities, 3.95%, 1/15/27	40,000	42
Alexandria Real Estate Equities, 3.95%, 1/15/28	65,000	68
Alibaba Group Holding, 3.60%, 11/28/24	200,000	209
Altria Group, 4.80%, 2/14/29	40,000	43
Altria Group, 5.80%, 2/14/39	50,000	56
Altria Group, 5.95%, 2/14/49	40,000	45
American Airlines PTT, Series 2014-1, Class B, 4.375%, 10/1/22	3,036	3
American Airlines PTT, Series 2015-1, Class B, 3.70%, 5/1/23	9,589	10
American Airlines PTT, Series 2016-1, Class AA, 3.575%, 1/15/28	13,209	14
American Airlines PTT, Series 2016-3, Class B, 3.75%, 10/15/25	43,371	43

	Shares/Par	\$ Value
(Cost and value in \$000s)		
American Airlines PTT, Series 2017-1, Class B, 4.95%, 2/15/25	58,258	61
American Airlines PTT, Series 2017-2, Class AA, 3.35%, 10/15/29	18,918	19
American Airlines PTT, Series 2017-2, Class B, 3.70%, 10/15/25	62,923	62
American Campus Communities Operating Partnership, 3.30%, 7/15/26	20,000	20
American Campus Communities Operating Partnership, 3.625%, 11/15/27	45,000	46
American International Group, 3.90%, 4/1/26	12,000	13
Anheuser-Busch InBev Worldwide, 4.15%, 1/23/25	12,000	13
Anheuser-Busch InBev Worldwide, 5.55%, 1/23/49	105,000	128
APT Pipelines, 3.875%, 10/11/22 (5)	35,000	36
APT Pipelines, 4.25%, 7/15/27 (5)	180,000	188
ArcelorMittal, 4.55%, 3/11/26	20,000	21
Arrow Electronics, 4.00%, 4/1/25	50,000	51
Ausgrid Finance Property, 4.35%, 8/1/28 (5)	40,000	43
Ausgrid Finance Property, Series 1, 3.85%, 5/1/23 (5)	30,000	31
Avnet, 3.75%, 12/1/21	60,000	61
Avolon Holdings Funding, 3.95%, 7/1/24 (5)	15,000	15
Avolon Holdings Funding, 4.375%, 5/1/26 (5)	30,000	31
Avolon Holdings Funding, 5.125%, 10/1/23 (5)	75,000	79
AXA Equitable Holdings, 4.35%, 4/20/28	40,000	42
Baidu, 2.875%, 7/6/22	200,000	201
Banco de Bogota, 4.375%, 8/3/27	200,000	206
Bank of America, VR, 3.366%, 1/23/26 (8)	215,000	222
Barclays, VR, 4.61%, 2/15/23 (8)	200,000	207

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
BAT Capital, 3.222%, 8/15/24	40,000	40
BAT Capital, 3.557%, 8/15/27	150,000	149
BBVA Bancomer, 4.375%, 4/10/24 (5)	150,000	157
Becton Dickinson & Company, 1.401%, 5/24/23 (EUR)	100,000	118
Becton Dickinson & Company, 3.363%, 6/6/24	60,000	62
Becton Dickinson & Company, 3.70%, 6/6/27	134,000	140
Becton Dickinson & Company, 3.734%, 12/15/24	29,000	30
Becton Dickinson & Company, 4.669%, 6/6/47	35,000	39
Boardwalk Pipelines, 3.375%, 2/1/23	61,000	61
Boardwalk Pipelines, 4.45%, 7/15/27	10,000	10
Boardwalk Pipelines, 4.95%, 12/15/24	35,000	37
Boardwalk Pipelines, 5.95%, 6/1/26	10,000	11
Booking Holdings, 3.60%, 6/1/26	40,000	42
Booking Holdings, 3.65%, 3/15/25	120,000	127
Boral Finance, 3.00%, 11/1/22 (5)	5,000	5
Boral Finance, 3.75%, 5/1/28 (5)	80,000	80
Boston Properties, 3.20%, 1/15/25	105,000	107
Boston Properties, 3.65%, 2/1/26	30,000	31
Brambles USA, 4.125%, 10/23/25 (5)	20,000	21
Braskem Finance, 7.375% (9)	100,000	102
Bristol-Myers Squibb, 3.20%, 6/15/26 (5)	30,000	31
Bristol-Myers Squibb, 3.40%, 7/26/29 (5)	5,000	5
Bristol-Myers Squibb, 4.125%, 6/15/39 (5)	85,000	92
Brixmor Operating Partnership, 3.65%, 6/15/24	31,000	32
Brixmor Operating Partnership, 3.85%, 2/1/25	60,000	62

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Brixmor Operating Partnership, 4.125%, 5/15/29	20,000	21
Broadcom, 3.125%, 1/15/25	40,000	39
Broadcom, 3.625%, 1/15/24	60,000	61
Broadcom, 3.625%, 10/15/24 (5)	31,000	31
Broadcom, 4.25%, 4/15/26 (5)	50,000	51
Bunge Finance, 3.25%, 8/15/26	5,000	5
Bunge Finance, 3.75%, 9/25/27	35,000	34
Bunge Finance, 4.35%, 3/15/24	10,000	10
Capital One Financial, 0.80%, 6/12/24 (EUR)	100,000	114
Capital One Financial, 3.75%, 3/9/27	75,000	77
CC Holdings, 3.849%, 4/15/23	185,000	194
Celgene, 3.875%, 8/15/25	100,000	107
Celgene, 4.625%, 5/15/44	5,000	6
Celgene, 5.25%, 8/15/43	30,000	35
Cenovus Energy, 3.80%, 9/15/23	30,000	31
Cenovus Energy, 4.25%, 4/15/27	20,000	21
Cenovus Energy, 5.40%, 6/15/47	25,000	27
Charter Communications Operating, 4.908%, 7/23/25	50,000	54
Charter Communications Operating, 5.75%, 4/1/48	13,000	14
Charter Communications Operating, 6.484%, 10/23/45	12,000	14
Cigna, 4.375%, 10/15/28 (5)	80,000	86
Cigna, 4.90%, 12/15/48 (5)	50,000	54
CNO Financial Group, 5.25%, 5/30/25	45,000	48
Comcast, 3.20%, 7/15/36	5,000	5
Comcast, 3.30%, 2/1/27	104,000	108

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Comcast,		
3.95%, 10/15/25	20,000	22
Comcast,		
4.15%, 10/15/28	30,000	33
Comcast,		
4.70%, 10/15/48	45,000	52
Crown Castle Towers,		
3.663%, 5/15/25 (5)	85,000	88
CVS Health,		
3.70%, 3/9/23	140,000	144
CVS Health,		
4.10%, 3/25/25	70,000	74
CVS Health,		
5.05%, 3/25/48	120,000	127
CVS Health,		
5.125%, 7/20/45	5,000	5
Danske Bank,		
3.875%, 9/12/23 (5)	200,000	204
Delta Air Lines PTT, Series 2009-1,		
Class A,		
7.75%, 12/17/19	2,949	3
Discover Financial Services,		
3.75%, 3/4/25	200,000	207
Enel Americas,		
4.00%, 10/25/26	50,000	52
Enel Chile,		
4.875%, 6/12/28	135,000	148
Energy Transfer Operating,		
4.50%, 4/15/24	10,000	11
Energy Transfer Operating,		
4.95%, 6/15/28	20,000	22
Energy Transfer Operating,		
5.25%, 4/15/29	25,000	28
Energy Transfer Operating,		
5.875%, 1/15/24	40,000	44
Eni,		
4.75%, 9/12/28 (5)	205,000	223
Essex Portfolio,		
3.375%, 4/15/26	35,000	36
Essex Portfolio,		
3.875%, 5/1/24	40,000	42
Expedia Group,		
4.50%, 8/15/24	50,000	53
Expedia Group,		
5.00%, 2/15/26	150,000	163
Express Scripts Holding,		
3.40%, 3/1/27	55,000	56
Express Scripts Holding,		
4.50%, 2/25/26	45,000	49
Fidelity National Financial,		
4.50%, 8/15/28	65,000	68

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Fidelity National Information		
Services,		
0.75%, 5/21/23 (EUR)	100,000	116
FirstEnergy, Series B,		
3.90%, 7/15/27	105,000	110
FirstEnergy Transmission,		
4.35%, 1/15/25 (5)	65,000	70
Fiserv,		
3.20%, 7/1/26	35,000	36
Fiserv,		
4.40%, 7/1/49	40,000	42
Fox,		
4.709%, 1/25/29 (5)	35,000	39
Fox,		
5.576%, 1/25/49 (5)	60,000	73
GE Capital International Funding,		
4.418%, 11/15/35	205,000	203
General Electric,		
5.55%, 1/5/26	40,000	44
General Motors Financial,		
3.45%, 4/10/22	65,000	66
General Motors Financial,		
4.00%, 10/6/26	20,000	20
General Motors Financial,		
4.20%, 11/6/21	55,000	57
General Motors Financial,		
4.35%, 4/9/25	22,000	23
GLP Capital,		
5.25%, 6/1/25	15,000	16
Goldman Sachs Group,		
3.50%, 11/16/26	135,000	138
Goldman Sachs Group, VR,		
2.908%, 6/5/23 (8)	45,000	45
GTP Acquisition Partners I,		
2.35%, 6/15/20 (5)	100,000	100
HCP,		
3.25%, 7/15/26	5,000	5
HCP,		
3.50%, 7/15/29	10,000	10
Healthcare Realty Trust,		
3.625%, 1/15/28	60,000	61
Highwoods Realty,		
4.125%, 3/15/28	56,000	58
HSBC Holdings, VR,		
3.95%, 5/18/24 (8)	200,000	208
Humana,		
3.85%, 10/1/24	55,000	57
Israel Chemicals,		
6.375%, 5/31/38 (5)	85,000	95
JPMorgan Chase,		
2.95%, 10/1/26	105,000	106

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
JPMorgan Chase, 3.20%, 6/15/26	25,000	26
JPMorgan Chase, 3.90%, 7/15/25	70,000	75
JPMorgan Chase, VR, 3.54%, 5/1/28 (8)	25,000	26
Keysight Technologies, 4.60%, 4/6/27	95,000	101
Kilroy Realty, 4.375%, 10/1/25	13,000	14
Kimco Realty, 3.30%, 2/1/25	25,000	25
Martin Marietta Materials, 4.25%, 7/2/24	65,000	69
Micron Technology, 4.64%, 2/6/24	85,000	89
MPT Operating Partnership, 5.00%, 10/15/27	30,000	31
MPT Operating Partnership, 5.25%, 8/1/26	25,000	26
Netflix, 6.375%, 5/15/29 (5)	55,000	62
NRG Energy, 3.75%, 6/15/24 (5)	10,000	10
NRG Energy, 4.45%, 6/15/29 (5)	25,000	26
NXP, 4.875%, 3/1/24 (5)	90,000	96
Pacific Gas & Electric, 4.00%, 12/1/46 (2)(10)	111,000	101
Peru LNG, 5.375%, 3/22/30	200,000	216
Plains All American Pipeline, 2.85%, 1/31/23	15,000	15
QVC, 5.125%, 7/2/22	109,000	113
Regency Centers, 3.60%, 2/1/27	15,000	16
Regency Centers, 4.125%, 3/15/28	15,000	16
Reynolds American, 4.45%, 6/12/25	55,000	58
Sabine Pass Liquefaction, 5.00%, 3/15/27	115,000	126
SASOL Financing USA, 5.875%, 3/27/24	200,000	217
SBA Tower Trust, 3.168%, 4/11/22 (5)	65,000	66
SBA Tower Trust, 3.448%, 3/15/23 (5)	30,000	31

	Shares/Par	\$ Value
(Cost and value in \$000s)		
SBA Tower Trust, Series 2014-2A, Class C, STEP, 3.869%, 10/15/49 (5)	125,000	130
Sempra Energy, 3.25%, 6/15/27	20,000	20
Sempra Energy, 3.80%, 2/1/38	30,000	29
Shire Acquisitions Investments Ireland, 2.875%, 9/23/23	45,000	45
Shire Acquisitions Investments Ireland, 3.20%, 9/23/26	60,000	60
Sigma Alimentos, 4.125%, 5/2/26	200,000	202
SMBC Aviation Capital Finance, 3.55%, 4/15/24 (5)	205,000	211
Southern, 3.25%, 7/1/26	60,000	61
Southern California Edison, 2.90%, 3/1/21	11,000	11
Southern California Edison, 3.875%, 6/1/21	5,000	5
Synchrony Financial, 3.70%, 8/4/26	10,000	10
Synchrony Financial, 4.25%, 8/15/24	12,000	12
Synchrony Financial, 4.375%, 3/19/24	15,000	16
Tencent Holdings, 3.80%, 2/11/25	200,000	208
Transcontinental Gas Pipe Line, 4.00%, 3/15/28	15,000	16
Transcontinental Gas Pipe Line, 4.60%, 3/15/48	30,000	32
Transurban Finance, 3.375%, 3/22/27 (5)	15,000	15
Transurban Finance, 4.125%, 2/2/26 (5)	15,000	16
Trinity Acquisition, 3.50%, 9/15/21	15,000	15
Trinity Acquisition, 4.40%, 3/15/26	65,000	69
U.S. Airways PTT, Series 2013-1, Class A, 3.95%, 11/15/25	24,055	25
Ventas Realty, 3.25%, 10/15/26	60,000	60
VEREIT Operating Partnership, 3.95%, 8/15/27	45,000	46

	Shares/Par	\$ Value
(Cost and value in \$000s)		
VEREIT Operating Partnership, 4.60%, 2/6/24	75,000	79
VEREIT Operating Partnership, 4.875%, 6/1/26	20,000	22
Verizon Communications, 2.625%, 8/15/26	20,000	20
Verizon Communications, 4.672%, 3/15/55	16,000	18
Verizon Communications, 4.75%, 11/1/41	15,000	17
Verizon Communications, 4.862%, 8/21/46	75,000	87
Verizon Communications, 5.012%, 4/15/49	33,000	39
Vistra Operations, 3.55%, 7/15/24 (5)	25,000	25
Vistra Operations, 4.30%, 7/15/29 (5)	40,000	40
Vodafone Group, 4.375%, 5/30/28	129,000	139
Vodafone Group, 5.25%, 5/30/48	65,000	72
Voya Financial, 3.125%, 7/15/24	55,000	56
Williams, 3.90%, 1/15/25	40,000	42
Williams, 4.00%, 9/15/25	20,000	21
Williams, 4.30%, 3/4/24	5,000	5
Williams, 4.85%, 3/1/48	35,000	37
Willis North America, 3.60%, 5/15/24	45,000	46
Woodside Finance, 3.65%, 3/5/25 (5)	45,000	46
Woodside Finance, 3.70%, 9/15/26 (5)	40,000	41
Woodside Finance, 3.70%, 3/15/28 (5)	181,000	181
WPP Finance, 3.625%, 9/7/22	40,000	41
<b>Total Corporate Bonds (Cost \$12,738)</b>		<b>13,316</b>

**ASSET-BACKED SECURITIES 1.9%**

AmeriCredit Automobile Receivables Trust Series 2016-4, Class D, 2.74%, 12/8/22	90,000	90
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	Shares/Par	\$ Value
(Cost and value in \$000s)		
AmeriCredit Automobile Receivables Trust Series 2017-1, Class C, 2.71%, 8/18/22	10,000	10
AmeriCredit Automobile Receivables Trust Series 2019-1, Class B, 3.13%, 2/18/25	20,000	20
Applebee's Funding Series 2019-1A, Class A2I, 4.194%, 6/7/49 (5)	120,000	121
Ascentium Equipment Receivables Trust Series 2017-1A, Class A3, 2.29%, 6/10/21 (5)	3,644	4
Avis Budget Rental Car Funding Series 2016-1A, Class A, 2.99%, 6/20/22 (5)	100,000	101
BlueMountain Series 2015-2A, Class A1R, CLO, FRN 3M USD LIBOR + 0.93%, 3.531%, 7/18/27 (5)	250,000	250
BlueMountain Series 2015-2A, Class BR, CLO, FRN 3M USD LIBOR + 1.50%, 4.101%, 7/18/27 (5)	250,000	248
CBAM Series 2019-9A, Class A, CLO, FRN 3M USD LIBOR + 1.28%, 4.009%, 2/12/30 (5)	250,000	250
CCG Receivables Trust Series 2017-1, Class A2, 1.84%, 11/14/23 (5)	31,218	31
CNH Equipment Trust Series 2017-C, Class B, 2.54%, 5/15/25	5,000	5
Driven Brands Funding Series 2018-1A, Class A2, 4.739%, 4/20/48 (5)	24,750	26
Driven Brands Funding Series 2019-1A, Class A2, 4.641%, 4/20/49 (5)	34,913	36
Elara HGV Timeshare Issuer Series 2014-A, Class A, 2.53%, 2/25/27 (5)	15,273	15
Ford Credit Auto Owner Trust Series 2018-1, Class C, 3.49%, 7/15/31 (5)	100,000	101



	Shares/Par	\$ Value
(Cost and value in \$000s)		
Ford Credit Auto Owner Trust		
Series 2019-1, Class A, 3.52%, 7/15/30 (5)	115,000	120
Ford Credit Floorplan Master Owner Trust		
Series 2016-5, Class B, 2.16%, 11/15/21	37,000	37
Halcyon Loan Advisors Funding		
Series 2014-3A, Class AR, CLO, FRN		
3M USD LIBOR + 1.10%, 3.692%, 10/22/25 (5)	181,958	182
Hardee's Funding		
Series 2018-1A, Class A2I, 4.25%, 6/20/48 (5)	39,700	41
Hardee's Funding		
Series 2018-1A, Class A2II, 4.959%, 6/20/48 (5)	54,588	58
Hilton Grand Vacations Trust		
Series 2014-AA, Class A, 1.77%, 11/25/26 (5)	16,836	17
Hyundai Auto Receivables Trust		
Series 2016-B, Class D, 2.68%, 9/15/23	35,000	35
Jack In the Box Funding		
Series 2019-1A, Class A2I, 3.982%, 8/25/49 (5)	65,000	65
Jimmy Johns Funding		
Series 2017-1A, Class A2I, 3.61%, 7/30/47 (5)	24,563	25
Kubota Credit Owner Trust		
Series 2016-1A, Class A3, 1.50%, 7/15/20 (5)	19,501	19
MMAF Equipment Finance		
Series 2018-A, Class A4, 3.39%, 1/10/25 (5)	100,000	103
MVW Owner Trust		
Series 2014-1A, Class A, 2.25%, 9/22/31 (5)	22,842	23
Navient Student Loan Trust		
Series 2018-1A, Class A2, FRN 1M USD LIBOR + 0.35%, 2.754%, 3/25/67 (5)	100,000	100
Neuberger Berman XIX		
Series 2015-19A, Class A2R2, CLO, FRN		
3M USD LIBOR + 1.15%, 3.747%, 7/15/27 (5)	250,000	244
Santander Drive Auto Receivables Trust		
Series 2015-5, Class D, 3.65%, 12/15/21	9,758	10

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Santander Drive Auto Receivables Trust		
Series 2017-1, Class C, 2.58%, 5/16/22	10,000	10
Santander Drive Auto Receivables Trust		
Series 2018-2, Class C, 3.35%, 7/17/23	25,000	25
Sierra Timeshare Receivables Funding		
Series 2015-3A, Class A, 2.58%, 9/20/32 (5)	16,068	16
Sierra Timeshare Receivables Funding		
Series 2016-1A, Class A, 3.08%, 3/21/33 (5)	28,338	29
Sierra Timeshare Receivables Funding		
Series 2019-1A, Class A, 3.20%, 1/20/36 (5)	86,915	89
SLM Student Loan Trust		
Series 2008-1, Class A4, FRN 3M USD LIBOR + 0.65%, 3.23%, 1/25/22	68,430	67
SLM Student Loan Trust		
Series 2008-9, Class A, FRN 3M USD LIBOR + 1.50%, 4.08%, 4/25/23	28,029	28
SMART Trust		
Series 2016-2US, Class A3A, 1.71%, 3/15/21	27,867	28
SMB Private Education Loan Trust		
Series 2015-B, Class A2A, 2.98%, 7/15/27 (5)	53,683	54
SMB Private Education Loan Trust		
Series 2017-B, Class A2A, 2.82%, 10/15/35 (5)	200,000	202
SMB Private Education Loan Trust		
Series 2018-A, Class A2A, 3.50%, 2/15/36 (5)	105,000	109
SMB Private Education Loan Trust		
Series 2018-C, Class A2A, 3.63%, 11/15/35 (5)	100,000	105
Synchrony Card Funding		
Series 2019-A2, Class A, 2.34%, 6/16/25	115,000	115
Synchrony Credit Card Master Note Trust		
Series 2015-4, Class B, 2.62%, 9/15/23	25,000	25

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Taco Bell Funding Series 2018-1A, Class A2I, 4.318%, 11/25/48 (5)	74,625	77
<b>Total Asset-Backed Securities (Cost \$3,338)</b>		<b>3,366</b>
<b>NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 4.1%</b>		
225 Liberty Street Trust Series 2016-225L, Class A, 3.597%, 2/10/36 (5)	100,000	106
Angel Oak Mortgage Trust Series 2019-3, Class A3, CMO, ARM 3.238%, 5/25/59 (5)	69,321	69
Angel Oak Mortgage Trust I Series 2019-1, Class A1, CMO, ARM 3.92%, 11/25/48 (5)	107,759	110
Angel Oak Mortgage Trust I Series 2019-2, Class A1, CMO, ARM 3.628%, 3/25/49 (5)	94,428	96
Ashford Hospitality Trust Series 2018-ASHF, Class B, ARM 1M USD LIBOR + 1.25%, 3.644%, 4/15/35 (5)	45,000	45
Ashford Hospitality Trust Series 2018-ASHF, Class C, ARM 1M USD LIBOR + 1.40%, 3.794%, 4/15/35 (5)	20,000	20
Atrium Hotel Portfolio Trust Series 2017-ATRM, Class A, ARM 1M USD LIBOR + 0.93%, 3.324%, 12/15/36 (5)	100,000	100
BANK 2017 Series 2017-BNK5, Class B, ARM 3.896%, 6/15/60	80,000	83
BANK 2019 Series 2019-BNK18, Class B, 3.977%, 5/15/62	75,000	79
Bayview Mortgage Fund IVc Trust Series 2017-RT3, Class A, CMO, ARM 3.50%, 1/28/58 (5)	65,751	67
Bayview Opportunity Master Fund IVa Trust Series 2017-RT1, Class A1, CMO, ARM 3.00%, 3/28/57 (5)	59,330	60

	Shares/Par	\$ Value
(Cost and value in \$000s)		
BXP Trust Series 2017-GM, Class A, 3.379%, 6/13/39 (5)	85,000	89
Cantor Commercial Real Estate Lending Series 2019-CF1, Class B, ARM 4.178%, 5/15/52	100,000	108
Citigroup Commercial Mortgage Trust Series 2014-GC21, Class AS, 4.026%, 5/10/47	35,000	37
Citigroup Commercial Mortgage Trust Series 2015-GC27, Class AS, 3.571%, 2/10/48	15,000	16
Citigroup Commercial Mortgage Trust Series 2018-B2, Class C, ARM 4.829%, 3/10/51	30,000	32
COLT Mortgage Loan Trust Series 2018-1, Class A2, CMO, ARM 2.981%, 2/25/48 (5)	36,309	36
COLT Mortgage Loan Trust Series 2018-3, Class A1, CMO, ARM 3.692%, 10/26/48 (5)	95,967	97
COLT Mortgage Loan Trust Series 2018-3, Class A3, CMO, ARM 3.865%, 10/26/48 (5)	73,820	75
COLT Mortgage Loan Trust Series 2018-4, Class A1, CMO, ARM 4.006%, 12/28/48 (5)	85,809	87
COLT Mortgage Loan Trust Series 2019-3, Class A1, CMO, ARM 2.764%, 8/25/49 (5)	100,000	100
Commercial Mortgage PTC Series 2016-CR28, Class AHR, 3.651%, 2/10/49	28,761	30
Commercial Mortgage Trust Series 2014-UBS6, Class AM, 4.048%, 12/10/47	110,000	115
Commercial Mortgage Trust Series 2015-CR24, Class AM, ARM 4.028%, 8/10/48	25,000	26
Commercial Mortgage Trust Series 2015-CR25, Class B, ARM 4.695%, 8/10/48	95,000	102

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Commercial Mortgage Trust Series 2015-CR25, Class C, ARM 4.695%, 8/10/48	20,000	21
Commercial Mortgage Trust Series 2015-LC21, Class B, ARM 4.443%, 7/10/48	45,000	48
Commercial Mortgage Trust Series 2015-PC1, Class B, ARM 4.588%, 7/10/50	20,000	21
Connecticut Avenue Securities Series 2017-C01, Class 1M1, CMO, ARM 1M USD LIBOR + 1.30%, 3.704%, 7/25/29	14,266	14
Connecticut Avenue Securities Series 2017-C03, Class 1M1, CMO, ARM 1M USD LIBOR + 0.95%, 3.354%, 10/25/29	9,580	10
Connecticut Avenue Securities Series 2017-C07, Class 2M1, CMO, ARM 1M USD LIBOR + 0.65%, 3.054%, 5/25/30	11,991	12
Connecticut Avenue Securities Series 2018-C01, Class 1M1, CMO, ARM 1M USD LIBOR + 0.60%, 3.004%, 7/25/30	177,777	178
Connecticut Avenue Securities Series 2018-C02, Class 2M2, CMO, ARM 1M USD LIBOR + 2.20%, 4.604%, 8/25/30	80,000	80
Connecticut Avenue Securities Series 2018-C03, Class 1M2, CMO, ARM 1M USD LIBOR + 2.15%, 4.554%, 10/25/30	55,000	55
Connecticut Avenue Securities Series 2018-C05, Class 1M2, CMO, ARM 1M USD LIBOR + 2.35%, 4.754%, 1/25/31	65,000	66
Connecticut Avenue Securities Trust Series 2018-R07, Class 1M1, CMO, ARM 1M USD LIBOR + 0.75%, 3.154%, 4/25/31 (5)	92,763	93

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Connecticut Avenue Securities Trust Series 2019-R02, Class 1M1, CMO, ARM 1M USD LIBOR + 0.85%, 3.254%, 8/25/31 (5)	30,102	30
Connecticut Avenue Securities Trust Series 2019-R03, Class 1M1, CMO, ARM 1M USD LIBOR + 0.75%, 3.154%, 9/25/31 (5)	54,020	54
Connecticut Avenue Securities Trust Series 2019-R04, Class 2M1, CMO, ARM 1M USD LIBOR + 0.75%, 3.154%, 6/25/39 (5)	50,000	50
CSAIL Commercial Mortgage Trust Series 2016-C6, Class A5, 3.09%, 1/15/49	50,000	51
CSAIL Commercial Mortgage Trust Series 2019-C16, Class A3, 3.329%, 6/15/52	110,000	113
Deephaven Residential Mortgage Trust Series 2018-2A, Class A1, CMO, ARM 3.479%, 4/25/58 (5)	62,102	63
Deephaven Residential Mortgage Trust Series 2018-3A, Class M1, CMO, ARM 4.357%, 8/25/58 (5)	100,000	102
FREMF Mortgage Trust Series 2018-K731, Class B, ARM 3.909%, 2/25/25 (5)	35,000	36
FREMF Mortgage Trust Series 2019-K92, Class B, ARM 4.337%, 5/25/29 (5)	20,000	20
Galton Funding Mortgage Trust Series 2018-1, Class A23, CMO, ARM 3.50%, 11/25/57 (5)	67,932	69
Galton Funding Mortgage Trust Series 2018-2, Class A22, CMO, ARM 4.00%, 10/25/58 (5)	80,403	83
Goldman Sachs Mortgage Securities Trust Series 2013-GC16, Class B, ARM 5.161%, 11/10/46	120,000	132
Goldman Sachs Mortgage Securities Trust Series 2015-GC34, Class AS, 3.911%, 10/10/48	55,000	58

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Goldman Sachs Mortgage Securities Trust Series 2019-GC40, Class A4, 3.16%, 7/10/52	100,000	103
Goldman Sachs Mortgage Securities Trust Series 2019-SOHO, Class C, ARM 1M USD LIBOR + 1.30%, 3.75%, 6/15/36 (5)	85,000	85
Great Wolf Trust Series 2017-WOLF, Class A, ARM 1M USD LIBOR + 0.85%, 3.24%, 9/15/34 (5)	100,000	100
Hilton Orlando Trust Series 2018-ORL, Class A, ARM 1M USD LIBOR + 0.77%, 3.16%, 12/15/34 (5)	100,000	100
Hudson Yards Mortgage Trust Series 2019-30HY, Class B, ARM 3.38%, 7/10/39 (5)	100,000	103
Hudson Yards Mortgage Trust Series 2019-30HY, Class D, ARM 3.55%, 7/10/39 (5)	100,000	101
Independence Plaza Trust Series 2018-INDP, Class A, 3.763%, 7/10/35 (5)	105,000	111
JPMorgan Barclays Bank Commercial Mortgage Securities Trust Series 2014-C19, Class AS, ARM 4.243%, 4/15/47	35,000	37
JPMorgan Chase Commercial Mortgage Securities Trust Series 2016-JP2, Class AS, 3.056%, 8/15/49	35,000	35
JPMorgan Chase Commercial Mortgage Securities Trust Series 2016-JP3, Class B, ARM 3.397%, 8/15/49	20,000	20
JPMorgan Chase Commercial Mortgage Securities Trust Series 2018-WPT, Class AFX, 4.248%, 7/5/33 (5)	20,000	21
JPMorgan Deutsche Bank Commercial Mortgage Securities Trust Series 2016-C1, Class AM, 3.539%, 5/10/49	100,000	103
JPMorgan Deutsche Bank Commercial Mortgage Securities Trust Series 2018-C8, Class C, ARM 4.903%, 6/15/51	35,000	38

	Shares/Par	\$ Value
(Cost and value in \$000s)		
MetLife Securitization Trust Series 2018-1A, Class A, CMO, ARM 3.75%, 3/25/57 (5)	108,135	113
Mill City Mortgage Loan Trust Series 2016-1, Class A1, CMO, ARM 2.50%, 4/25/57 (5)	45,221	45
Morgan Stanley Bank of America Merrill Lynch Trust Series 2014-C18, Class 300A, 3.749%, 8/15/31	25,000	26
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class AS, ARM 4.036%, 5/15/48	10,000	11
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C27, Class AS, 4.068%, 12/15/47	40,000	43
Morgan Stanley Capital I Trust Series 2015-MS1, Class AS, ARM 4.165%, 5/15/48	10,000	11
Morgan Stanley Capital I Trust Series 2017-ASHF, Class B, ARM 1M USD LIBOR + 1.25%, 3.644%, 11/15/34 (5)	90,000	90
Morgan Stanley Capital I Trust Series 2017-JWDR, Class A, ARM 1M USD LIBOR + 0.85%, 3.244%, 11/15/34 (5)	70,000	70
Morgan Stanley Capital I Trust Series 2017-JWDR, Class B, ARM 1M USD LIBOR + 1.20%, 3.594%, 11/15/34 (5)	45,000	45
MSCG Trust Series 2018-SELF, Class A, ARM 1M USD LIBOR + 0.90%, 3.294%, 10/15/37 (5)	50,000	50
New Orleans Hotel Trust Series 2019-HNLA, Class B, ARM 1M USD LIBOR + 1.289%, 3.683%, 4/15/32 (5)	100,000	100
New Residential Mortgage Loan Trust Series 2019-NQM1, Class A1, CMO, ARM 3.675%, 1/25/49 (5)	88,098	90
New Residential Mortgage Loan Trust Series 2019-NQM2, Class A1, CMO, ARM 3.60%, 4/25/49 (5)	95,634	97

	Shares/Par	\$ Value
(Cost and value in \$000s)		
RETL		
Series 2019-RVP, Class A, ARM		
1M USD LIBOR + 1.15%, 3.544%,		
3/15/36 (5)	39,545	40
Seasoned Credit Risk Transfer Trust		
Series 2016-1, Class M1, CMO,		
ARM		
3.00%, 9/25/55 (5)	25,000	24
Sequoia Mortgage Trust		
Series 2013-4, Class B1, CMO,		
ARM		
3.489%, 4/25/43	83,283	85
Sequoia Mortgage Trust		
Series 2017-CH2, Class A19,		
CMO, ARM		
4.00%, 12/25/47 (5)	65,367	67
SLIDE		
Series 2018-FUN, Class E, ARM		
1M USD LIBOR + 2.30%, 4.694%,		
6/15/31 (5)	53,893	54
Starwood Mortgage Residential		
Trust		
Series 2019-IMC1, Class A1, CMO,		
ARM		
3.468%, 2/25/49 (5)	94,356	96
Structured Agency Credit Risk Debt		
Notes		
Series 2016-DNA1, Class M2,		
CMO, ARM		
1M USD LIBOR + 2.90%, 5.304%,		
7/25/28	131,973	133
Structured Agency Credit Risk Debt		
Notes		
Series 2018-DNA1, Class M1,		
CMO, ARM		
1M USD LIBOR + 0.45%, 2.854%,		
7/25/30	22,179	22
Structured Agency Credit Risk Debt		
Notes		
Series 2018-DNA2, Class M1,		
CMO, ARM		
1M USD LIBOR + 0.80%, 3.204%,		
12/25/30 (5)	107,241	107
Structured Agency Credit Risk Debt		
Notes		
Series 2018-DNA2, Class M2,		
CMO, ARM		
1M USD LIBOR + 2.15%, 4.554%,		
12/25/30 (5)	45,000	45

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Structured Agency Credit Risk Debt		
Notes		
Series 2018-DNA3, Class M1,		
CMO, ARM		
1M USD LIBOR + 0.75%, 3.154%,		
9/25/48 (5)	18,940	19
Structured Agency Credit Risk Debt		
Notes		
Series 2018-HRP2, Class M1,		
CMO, ARM		
1M USD LIBOR + 0.85%, 3.254%,		
2/25/47 (5)	29,549	30
Structured Agency Credit Risk Debt		
Notes		
Series 2018-HRP2, Class M2,		
CMO, ARM		
1M USD LIBOR + 1.25%, 3.654%,		
2/25/47 (5)	65,000	65
Structured Agency Credit Risk Debt		
Notes		
Series 2018-SPI1, Class M2, CMO,		
ARM		
3.743%, 2/25/48 (5)	20,000	19
Structured Agency Credit Risk Debt		
Notes		
Series 2018-SPI2, Class M2, CMO,		
ARM		
3.818%, 5/25/48 (5)	10,000	10
Structured Agency Credit Risk Debt		
Notes		
Series 2018-SPI3, Class M2, CMO,		
ARM		
4.165%, 8/25/48 (5)	65,000	64
Structured Agency Credit Risk Debt		
Notes		
Series 2019-HQA1, Class M1,		
CMO, ARM		
1M USD LIBOR + 0.90%, 3.304%,		
2/25/49 (5)	40,000	40
Towd Point Mortgage Trust		
Series 2015-3, Class A1B, CMO,		
ARM		
3.00%, 3/25/54 (5)	26,300	26
Towd Point Mortgage Trust		
Series 2015-5, Class A1B, CMO,		
ARM		
2.75%, 5/25/55 (5)	37,229	37
Towd Point Mortgage Trust		
Series 2016-1, Class A1B, CMO,		
ARM		
2.75%, 2/25/55 (5)	32,762	33

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Towd Point Mortgage Trust Series 2017-1, Class A1, CMO, ARM 2.75%, 10/25/56 (5)	58,763	59
Towd Point Mortgage Trust Series 2017-1, Class M1, CMO, ARM 3.75%, 10/25/56 (5)	100,000	103
Towd Point Mortgage Trust Series 2017-3, Class A1, CMO, ARM 2.75%, 7/25/57 (5)	66,421	67
Towd Point Mortgage Trust Series 2018-2, Class A1, CMO, ARM 3.25%, 3/25/58 (5)	125,919	128
Towd Point Mortgage Trust Series 2018-3, Class A1, CMO, ARM 3.75%, 5/25/58 (5)	85,627	89
Towd Point Mortgage Trust Series 2018-SJ1, Class A1, CMO, ARM 4.00%, 10/25/58 (5)	85,476	86
Verus Securitization Trust Series 2018-INV2, Class A1FX, CMO, ARM 4.148%, 10/25/58 (5)	91,926	94
Verus Securitization Trust Series 2019-1, Class A1, CMO, ARM 3.836%, 2/25/59 (5)	101,493	103
Verus Securitization Trust Series 2019-2, Class A3, CMO, ARM 3.448%, 4/25/59 (5)	105,981	107
Verus Securitization Trust Series 2019-INV1, Class A1, CMO, ARM 3.402%, 12/25/59 (5)	96,249	97
Wells Fargo Commercial Mortgage Trust Series 2015-C29, Class C, ARM 4.365%, 6/15/48	95,000	99
Wells Fargo Commercial Mortgage Trust Series 2015-LC20, Class C, ARM 4.056%, 4/15/50	35,000	36
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class C, ARM 4.387%, 7/15/58	10,000	10

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Wells Fargo Commercial Mortgage Trust Series 2017-C38, Class B, ARM 3.917%, 7/15/50	100,000	105
Wells Fargo Commercial Mortgage Trust Series 2017-C39, Class B, 4.025%, 9/15/50	125,000	132
Wells Fargo Commercial Mortgage Trust Series 2019-C51, Class A4, 3.311%, 6/15/52	115,000	118
WFRBS Commercial Mortgage Trust Series 2014-C19, Class A5, 4.101%, 3/15/47	40,000	43
<b>Total Non-U.S. Government Mortgage-Backed Securities (Cost \$7,371)</b>		<b>7,484</b>

#### U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 7.5%

##### U.S. Government Agency Obligations 6.2% (11)

Federal Home Loan Mortgage 2.50%, 4/1/30	37,910	38
3.00%, 12/1/42 - 4/1/43	137,403	139
3.50%, 8/1/42 - 3/1/46	379,171	394
4.00%, 8/1/40 - 8/1/45	136,895	146
4.50%, 6/1/39 - 5/1/42	129,718	138
5.00%, 1/1/24 - 8/1/40	43,517	48
6.00%, 8/1/21 - 8/1/38	13,469	15
6.50%, 3/1/32 - 4/1/32	2,832	3
7.00%, 6/1/32	690	—
Federal Home Loan Mortgage, ARM 12M USD LIBOR + 1.785%, 4.535%, 9/1/32	110	—
12M USD LIBOR + 1.815%, 4.774%, 1/1/37	2,407	3
12M USD LIBOR + 1.745%, 4.869%, 2/1/37	6,269	7
Federal Home Loan Mortgage, CMO, ARM 1M USD LIBOR + 0.30%, 2.694%, 10/15/48	27,737	28
1M USD LIBOR + 0.45%, 2.844%, 4/15/49	24,552	25
Federal National Mortgage Assn. 2.50%, 1/1/32 - 6/1/45	176,131	177
3.00%, 6/1/27 - 6/1/47	1,818,510	1,853
3.50%, 11/1/32 - 3/1/48	1,515,115	1,567
4.00%, 11/1/40 - 4/1/49	1,053,307	1,102

	Shares/Par	\$ Value
(Cost and value in \$000s)		
4.50%, 12/1/20 - 5/1/48	316,628	338
5.00%, 10/1/21 - 8/1/48	145,012	158
5.50%, 7/1/19 - 9/1/41	126,526	141
6.00%, 8/1/21 - 1/1/41	84,415	95
6.50%, 7/1/32 - 5/1/40	48,428	56
7.00%, 4/1/32	466	1
Federal National Mortgage Assn.		
ARM, 12M USD LIBOR + 1.884%, 4.634%, 8/1/36	2,919	3
Federal National Mortgage Assn. CMO, 4.00%, 6/25/44	68,727	71
Federal National Mortgage Assn. CMO, ARM, 1M USD LIBOR + 0.40%, 2.804%, 1/25/49	29,265	29
Federal National Mortgage Assn. CMO, IO, 6.50%, 2/25/32	864	—
Federal National Mortgage Assn., TBA		
3.00%, 7/1/49 (12)	675,000	680
3.50%, 7/1/34 - 7/1/49 (12)	3,182,000	3,253
4.00%, 7/1/49 (12)	715,000	739
		11,247
<b>U.S. Government Obligations 1.3%</b>		
Government National Mortgage Assn.		
3.00%, 7/15/43 - 8/20/46	291,793	300
3.50%, 7/20/42 - 2/20/49	398,872	413
4.00%, 7/20/42 - 10/20/48	362,296	379
4.50%, 10/20/39 - 4/20/49	304,485	322
5.00%, 3/20/34 - 5/20/48	348,776	375
5.50%, 10/20/32 - 3/20/49	177,903	189
6.00%, 4/15/36 - 12/20/38	17,552	20
6.50%, 3/15/26 - 12/20/33	4,636	5
7.00%, 9/20/27	3,477	4
8.00%, 4/15/26	458	—
Government National Mortgage Assn., CMO,		
3.00%, 11/20/47-12/20/47	67,122	68
Government National Mortgage Assn., CMO, ARM		
1M USD LIBOR + 0.30%, 2.683%, 9/20/48	33,535	33
1M USD LIBOR + 0.45%, 2.833%, 2/20/49	68,503	68
1M USD LIBOR + 0.50%, 2.883%, 4/20/49	83,749	84
Government National Mortgage Assn., CMO, IO,		
4.50%, 2/20/39-12/20/39	10,350	—
		2,260

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Total U.S. Government &amp; Agency Mortgage- Backed Securities (Cost \$13,414)</b>		<b>13,507</b>
<b>U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 4.4%</b>		
<b>U.S. Treasury Obligations 4.4%</b>		
U.S. Treasury Bonds,		
2.875%, 11/15/46	160,000	171
U.S. Treasury Bonds,		
2.875%, 5/15/49	705,400	755
U.S. Treasury Bonds,		
3.00%, 8/15/48	190,000	208
U.S. Treasury Bonds,		
3.00%, 2/15/49	640,000	702
U.S. Treasury Bonds,		
3.125%, 2/15/43 (13)	365,000	407
U.S. Treasury Bonds,		
4.625%, 2/15/40	30,000	41
U.S. Treasury Inflation-Indexed Bonds,		
1.00%, 2/15/48	377,213	397
U.S. Treasury Notes,		
1.625%, 5/15/26	40,000	39
U.S. Treasury Notes,		
1.75%, 6/30/22	125,000	125
U.S. Treasury Notes,		
2.125%, 5/31/21	730,000	735
U.S. Treasury Notes,		
2.375%, 1/31/23	270,000	276
U.S. Treasury Notes,		
2.50%, 1/15/22	370,000	377
U.S. Treasury Notes,		
2.875%, 10/31/23	2,290,000	2,396
U.S. Treasury Notes,		
2.875%, 11/30/23	1,360,000	1,425
		8,054
<b>Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost \$7,646)</b>		<b>8,054</b>
<b>FOREIGN GOVERNMENT OBLIGATIONS &amp; MUNICIPALITIES 1.3%</b>		
CNAC HK Finbridge,		
4.625%, 3/14/23	200,000	209
KazMunayGas National,		
4.75%, 4/19/27	200,000	215



	Shares/Par	\$ Value
(Cost and value in \$000s)		
Perusahaan Gas Negara Persero, 5.125%, 5/16/24 (5)	200,000	215
Petroleos Mexicanos, 5.50%, 1/21/21	35,000	35
Republic of Colombia, 2.625%, 3/15/23	200,000	199
Republic of Colombia, 4.00%, 2/26/24	320,000	335
Republic of Indonesia, 3.70%, 1/8/22 (1)(5)	260,000	266
Republic of South Africa, 5.65%, 9/27/47	200,000	206
Republic of South Korea, 2.375%, 12/10/28 (KRW)	250,000,000	231
State of Israel, 5.50%, 1/31/42 (ILS)	560,000	236
Syngenta Finance, 3.933%, 4/23/21 (5)	205,000	209
<b>Total Foreign Government Obligations &amp; Municipalities</b> <b>(Cost \$2,273)</b>		<b>2,356</b>

**BOND MUTUAL FUNDS 12.7%**

T. Rowe Price Inflation Protected Bond Fund - I Class, 5.78% (14)(15)	16,231	196
T. Rowe Price Institutional Emerging Markets Bond Fund, 5.31% (14)(15)	944,332	8,244
T. Rowe Price Institutional Floating Rate Fund, 5.23% (14)(15)	92,018	905
T. Rowe Price Institutional High Yield Fund, 5.50% (14)(15)	894,398	7,835
T. Rowe Price International Bond Fund - I Class, 1.91% (14)(15)	648,268	5,854
<b>Total Bond Mutual Funds</b> <b>(Cost \$22,812)</b>		<b>23,034</b>

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>EQUITY MUTUAL FUNDS 5.9%</b>		
T. Rowe Price Institutional Emerging Markets Equity Fund (14)	206,371	8,158
T. Rowe Price Real Assets Fund - I Class (14)	212,179	2,444
<b>Total Equity Mutual Funds</b> <b>(Cost \$7,498)</b>		<b>10,602</b>
<b>SHORT-TERM INVESTMENTS 3.4%</b>		
<b>Money Market Funds 3.4%</b>		
T. Rowe Price Treasury Reserve Fund, 2.44% (14)(16)	6,195,758	6,196
<b>Total Short-Term Investments</b> <b>(Cost \$6,196)</b>		<b>6,196</b>

**SECURITIES LENDING COLLATERAL 0.2%****Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.2%****Short-Term Funds 0.2%**

T. Rowe Price Short-Term Fund, 2.50% (14)(16)	32,305	323
<b>Total Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank</b>		<b>323</b>
<b>Total Securities Lending Collateral</b> <b>(Cost \$323)</b>		<b>323</b>

**Total Investments in Securities**

<b>102.9% of Net Assets (Cost \$145,286)</b>	<b>\$</b>	<b>186,411</b>
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- ‡ Shares/Par and Notional Amount are denominated in U.S. dollars unless otherwise noted.
- (1) All or a portion of this security is on loan at June 30, 2019. See Note 4.
- (2) Non-income producing
- (3) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to \$317 and represents 0.2% of net assets.
- (4) Level 3 in fair value hierarchy. See Note 2.



- (5) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers – total value of such securities at period-end amounts to \$11,262 and represents 6.2% of net assets.
- (6) Investment in a partnership held indirectly through a limited liability company that is owned by the fund and treated as a corporation for U.S. tax purposes.
- (7) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
- (8) 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.
- (9) Perpetual security with no stated maturity date.
- (10) Security is in default or has failed to make a scheduled interest and/or principal payment.
- (11) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.
- (12) To-Be-Announced purchase commitment - total value of such securities at period-end amounts to \$4,672 and represents 2.6% of net assets. See Note 4.
- (13) At June 30, 2019, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
- (14) Affiliated Companies
- (15) SEC 30-day yield
- (16) 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

CAD Canadian Dollar

CHF Swiss Franc

CLO Collateralized Loan Obligation

CMO Collateralized Mortgage Obligation

DKK Danish Krone

EUR Euro

FRN Floating Rate Note

GBP British Pound

GDR Global Depositary Receipts

HKD Hong Kong Dollar

ILS Israeli Shekel

IO Interest-only security for which the fund receives interest on notional principal

JPY Japanese Yen

KRW South Korean Won

NOK Norwegian Krone

NZD New Zealand Dollar

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

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, except market price)

**SWAPS 0.0%**

Description	Notional Amount	Value	Upfront Payments/ (Receipts)	Unrealized Gain/(Loss)
<b>BILATERAL SWAPS 0.0%</b>				
<b>Credit Default Swaps, Protection Bought 0.0%</b>				
Barclays Bank, Protection Bought (Relevant Credit: Campbell Soup, 4.25%, 4/15/21), Pay 1.00% Quarterly, Receive upon credit default, 6/20/24	25	\$ —	—	\$ —
<b>Total Bilateral Credit Default Swaps, Protection Bought</b>			—	—
<b>Credit Default Swaps, Protection Sold 0.0%</b>				
Bank of America, N.A., Protection Sold (Relevant Credit: Republic of South Africa, 5.50%, 3/9/20, \$101.74*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	57	(2)	(3)	1
Barclays Bank, Protection Sold (Relevant Credit: Republic of Colombia, 10.375%, 1/28/33, \$157.75*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	75	—	—	—
Barclays Bank, Protection Sold (Relevant Credit: United Mexican States, 4.15%, 3/28/27, \$104.62*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	225	—	—	—
BNP Paribas, Protection Sold (Relevant Credit: Republic of Colombia, 10.375%, 1/28/33, \$157.75*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	95	—	(1)	1
BNP Paribas, Protection Sold (Relevant Credit: Republic of Indonesia, 5.875%, 3/13/20, \$102.49*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	63	—	—	—
Citibank, Protection Sold (Relevant Credit: Republic of Colombia, 10.375%, 1/28/33, \$157.75*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	660	2	(2)	4
Goldman Sachs, Protection Sold (Relevant Credit: Republic of Indonesia, 5.875%, 3/13/20, \$102.49*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	263	1	—	1
Goldman Sachs, Protection Sold (Relevant Credit: Republic of South Africa, 5.50%, 3/9/20, \$101.74*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	503	(16)	(20)	4
JPMorgan Chase, Protection Sold (Relevant Credit: Barclays Bank, 4.875%, 8/13/19, 100.59EUR*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24 (EUR)	10	—	—	—
JPMorgan Chase, Protection Sold (Relevant Credit: Devon Energy, 7.95%, 4/15/32, \$140.57*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	10	—	—	—
JPMorgan Chase, Protection Sold (Relevant Credit: Republic of Indonesia, 5.875%, 3/13/20, \$102.49*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	258	2	—	2
Morgan Stanley, Protection Sold (Relevant Credit: Hewlett Packard, 4.65%, 12/9/21, \$104.77*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	25	—	—	—

(Amounts in 000s, except market price)

Description	Notional Amount	Value	Upfront Payments/ (Receipts)	Unrealized Gain/(Loss)
Morgan Stanley, Protection Sold (Relevant Credit: Republic of Indonesia, 5.875%, 3/13/20, \$102.49*), Receive 1.00% Quarterly, Pay upon credit default, 6/20/24	255	3	—	3
<b>Total Bilateral Credit Default Swaps, Protection Sold</b>			<b>(26)</b>	<b>16</b>
<b>Total Bilateral Swaps</b>		<b>\$</b>	<b>(26)</b>	<b>\$ 16</b>

\* Market price at June 30, 2019.

## Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive	Deliver	Unrealized Gain (Loss)
Bank of America N.A.	7/17/19	USD	24 ILS	86 \$ —
Bank of America N.A.	8/15/19	USD	32 ILS	114 —
Bank of America N.A.	8/23/19	USD	501 AUD	725 (9)
Bank of America N.A.	8/23/19	USD	114 EUR	100 —
Bank of America N.A.	9/20/19	USD	52 AUD	75 (1)
Bank of America N.A.	10/11/19	USD	115 KRW	135,605 (3)
Barclays Bank	7/12/19	USD	228 KRW	267,370 (3)
Barclays Bank	8/16/19	USD	80 SEK	764 (2)
Canadian Imperial Bank of Commerce	9/20/19	USD	168 CAD	224 (3)
Canadian Imperial Bank of Commerce	9/20/19	CAD	543 USD	406 10
Citibank	7/17/19	USD	24 ILS	86 —
Citibank	7/26/19	CAD	55 USD	41 1
Citibank	8/15/19	USD	16 ILS	57 —
Citibank	8/16/19	USD	160 SEK	1,527 (5)
Citibank	8/23/19	USD	250 AUD	362 (5)
HSBC Bank	7/17/19	USD	24 ILS	86 —
HSBC Bank	8/16/19	SEK	362 USD	39 —
HSBC Bank	8/23/19	USD	36 AUD	52 (1)
HSBC Bank	8/23/19	AUD	345 USD	240 3
HSBC Bank	9/30/19	USD	113 NZD	170 (2)
JPMorgan Chase	7/12/19	USD	111 KRW	126,000 2
JPMorgan Chase	7/17/19	USD	24 ILS	86 —
JPMorgan Chase	8/15/19	USD	16 ILS	57 —
JPMorgan Chase	8/16/19	USD	200 SEK	1,894 (4)
JPMorgan Chase	8/16/19	SEK	803 USD	87 —
Morgan Stanley	8/23/19	AUD	394 USD	274 3
Morgan Stanley	9/20/19	USD	169 CAD	224 (3)
Morgan Stanley	9/30/19	USD	113 NZD	171 (2)
RBC Dominion Securities	9/20/19	USD	180 CAD	240 (3)
State Street	7/26/19	USD	41 CAD	55 (1)
State Street	8/15/19	USD	32 ILS	114 —
State Street	8/16/19	SEK	535 USD	58 —
State Street	8/23/19	USD	231 EUR	204 (3)
State Street	9/20/19	USD	168 CAD	224 (3)
UBS Investment Bank	8/15/19	USD	16 ILS	57 —
UBS Investment Bank	8/15/19	USD	17 ILS	59 —
UBS Investment Bank	8/16/19	SEK	423 USD	46 —
Net unrealized gain (loss) on open forward currency exchange contracts				\$ (34)

**Futures Contracts**

(\$000s)

	Expiration Date	Notional Amount	Value and Unrealized Gain (Loss)
Long, 70 U.S. Treasury Notes five year contracts	9/19	8,271	\$ 9
Long, 108 U.S. Treasury Notes two year contracts	9/19	23,239	115
Long, 1 Ultra U.S. Treasury Bonds contracts	9/19	178	3
Short, 46 Ultra U.S. Treasury Notes ten year contracts	9/19	(6,354)	(170)
<b>Net payments (receipts) of variation margin to date</b>			<b>37</b>
<b>Variation margin receivable (payable) on open futures contracts</b>			<b>\$ (6)</b>

**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, 2019. 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.

<b>Affiliate</b>	<b>Net Realized Gain (Loss)</b>	<b>Change in Net Unrealized Gain/Loss</b>	<b>Investment Income</b>
T. Rowe Price Inflation Protected Bond Fund - I Class	\$ (3)	\$ 15	\$ 1
T. Rowe Price Institutional Emerging Markets Bond Fund	(81)	766	222
T. Rowe Price Institutional Emerging Markets Equity Fund	—	1,111	—
T. Rowe Price Institutional Floating Rate Fund	(12)	45	25
T. Rowe Price Institutional High Yield Fund	(25)	481	215
T. Rowe Price International Bond Fund - I Class	(90)	352	68
T. Rowe Price Real Assets Fund - I Class	2	314	—
T. Rowe Price Short-Term Fund	—	—	— <sup>++</sup>
T. Rowe Price Treasury Reserve Fund	—	—	59
<b>Totals</b>	<b>\$ (209)<sup>#</sup></b>	<b>\$ 3,084</b>	<b>\$ 590<sup>+</sup></b>

**Supplementary Investment Schedule**

<b>Affiliate</b>	<b>Value 12/31/18</b>	<b>Purchase Cost</b>	<b>Sales Cost</b>	<b>Value 6/30/19</b>
T. Rowe Price Inflation Protected Bond Fund - I Class	\$ 258	\$ 1	\$ 78	\$ 196
T. Rowe Price Institutional Emerging Markets Bond Fund	8,385	224	1,131	8,244
T. Rowe Price Institutional Emerging Markets Equity Fund	6,747	300	—	8,158
T. Rowe Price Institutional Floating Rate Fund	1,308	25	473	905
T. Rowe Price Institutional High Yield Fund	6,666	963	275	7,835
T. Rowe Price International Bond Fund - I Class	6,124	68	690	5,854
T. Rowe Price Real Assets Fund - I Class	2,228	—	98	2,444
T. Rowe Price Short-Term Fund	199	□	□	323
T. Rowe Price Treasury Reserve Fund	5,118	□	□	6,196
			\$	40,155 <sup>^</sup>

<sup>#</sup> Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

<sup>++</sup> Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 4.

<sup>+</sup> Investment income comprised \$590 of dividend income and \$0 of interest income.

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

<sup>^</sup> The cost basis of investments in affiliated companies was \$36,829.

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

T. ROWE PRICE MODERATE ALLOCATION PORTFOLIO

June 30, 2019 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$145,286)	\$	186,411
Receivable for investment securities sold		586
Interest and dividends receivable		364
Receivable for shares sold		97
Foreign currency (cost \$61)		61
Cash		47
Unrealized gain on forward currency exchange contracts		19
Unrealized gain on bilateral swaps		16
Other assets		76
Total assets		<u>187,677</u>

**Liabilities**

Payable for investment securities purchased		5,834
Obligation to return securities lending collateral		323
Investment management and administrative fees payable		188
Payable for shares redeemed		118
Unrealized loss on forward currency exchange contracts		53
Bilateral swap premiums received		26
Variation margin payable on futures contracts		6
Total liabilities		<u>6,548</u>

**NET ASSETS**

**\$ 181,129**

**Net Assets Consist of:**

Total distributable earnings (loss)	\$	41,838
Paid-in capital applicable to 8,821,814 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>139,291</u>

**NET ASSETS**

**\$ 181,129**

**NET ASSET VALUE PER SHARE**

**\$ 20.53**

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

Unaudited

**STATEMENT OF OPERATIONS**

(\$000s)

	6 Months Ended 6/30/19
<b>Investment Income (Loss)</b>	
Income	
Dividend	\$ 1,696
Interest	727
Securities lending	5
Total income	2,428
Expenses	
Investment management and administrative expense	744
Waived / paid by Price Associates	(113)
Net expenses	631
Net investment income	1,797
<b>Realized and Unrealized Gain / Loss</b>	
Net realized gain (loss)	
Securities	1,785
Futures	327
Swaps	(19)
Options written	(20)
Forward currency exchange contracts	42
Foreign currency transactions	1
Net realized gain	2,116
Change in net unrealized gain / loss	
Securities	17,995
Futures	(218)
Swaps	21
Forward currency exchange contracts	(36)
Other assets and liabilities denominated in foreign currencies	1
Change in net unrealized gain / loss	17,763
Net realized and unrealized gain / loss	19,879
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 21,676</b>

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



Unaudited

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 <sup>(1)</sup>
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 1,797	\$ 3,382
Net realized gain	2,116	10,048
Change in net unrealized gain / loss	17,763	(22,293)
Increase (decrease) in net assets from operations	21,676	(8,863)
Distributions to shareholders		
Net earnings	(1,849)	(14,768)
Capital share transactions *		
Shares sold	8,453	23,115
Distributions reinvested	1,849	14,768
Shares redeemed	(15,744)	(31,909)
Increase (decrease) in net assets from capital share transactions	(5,442)	5,974
<b>Net Assets</b>		
Increase (decrease) during period	14,385	(17,657)
Beginning of period	166,744	184,401
<b>End of period</b>	<b>\$ 181,129</b>	<b>\$ 166,744</b>
 *Share information		
Shares sold	424	1,093
Distributions reinvested	92	787
Shares redeemed	(801)	(1,516)
Increase (decrease) in shares outstanding	(285)	364

<sup>(1)</sup> Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

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 Moderate Allocation Portfolio (the fund), formerly the Personal Strategy Balanced Portfolio, 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. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

**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. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. 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. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared and paid quarterly. 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 effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**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.

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, 2019 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Fixed Income Securities <sup>1</sup>	\$ -	\$ 48,128	\$ -	\$ 48,128
Bond Mutual Funds	23,034	-	-	23,034
Common Stocks	72,913	24,593	165	97,671
Convertible Preferred Stocks	-	332	125	457
Equity Mutual Funds	10,602	-	-	10,602
Securities Lending Collateral	323	-	-	323
Short-Term Investments	6,196	-	-	6,196
Total Securities	113,068	73,053	290	186,411
Swaps	-	8	-	8
Forward Currency Exchange Contracts	-	19	-	19
Total	\$ 113,068	\$ 73,080	\$ 290	\$ 186,438
<b>Liabilities</b>				
Swaps	\$ -	\$ 18	\$ -	\$ 18
Forward Currency Exchange Contracts	-	53	-	53
Futures Contracts	6	-	-	6
Total	\$ 6	\$ 71	\$ -	\$ 77

<sup>1</sup> Includes Asset-Backed Securities, Convertible Bonds, Corporate Bonds, Foreign Government Obligations & Municipalities, Non-U.S. Government Mortgage-Backed Securities, U.S. Government & Agency Mortgage-Backed Securities, U.S. Government Agency Obligations (Excluding Mortgage-Backed).

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2019. 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, 2019, totaled \$(4,000) for the six months ended June 30, 2019. During the six months, transfers out of Level 3 include the impact of securities acquired through a corporate action.

(\$000s)	Beginning Balance 1/1/19	Gain (Loss) During Period	Total Purchases	Total Sales	Transfers Out of Level 3	Ending Balance 6/30/19
Investment in Securities						
Common Stocks	\$ 142	\$ -	\$ 24	\$ -	\$ (1)	\$ 165
Convertible Preferred Stocks	131	(4)	7	-	(9)	125
Convertible Bonds	1	-	-	(1)	-	-
Total	\$ 274	\$ (4)	\$ 31	\$ (1)	\$ (10)	\$ 290

**NOTE 3 - DERIVATIVE INSTRUMENTS**

During the six months ended June 30, 2019, 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, to enhance return, 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, 2019, 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
<b>Assets</b>		
Interest rate derivatives	Futures*	\$ 127
Foreign exchange derivatives	Forwards	19
Credit derivatives	Bilateral Swaps and Premiums	8
Total		<u>\$ 154</u>
<b>Liabilities</b>		
Interest rate derivatives	Futures*	\$ 170
Foreign exchange derivatives	Forwards	53
Credit derivatives	Bilateral Swaps and Premiums	18
Total		<u>\$ 241</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, 2019, 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	Futures	Forward Currency Exchange Contracts	Swaps	Total
<b>Realized Gain (Loss)</b>					
Interest rate derivatives	\$ (21)	\$ 327	\$ -	\$ -	\$ 306
Foreign exchange derivatives	-	-	42	-	42
Credit derivatives	1	-	-	(19)	(18)
Total	\$ (20)	\$ 327	\$ 42	\$ (19)	\$ 330
<b>Change in Unrealized Gain (Loss)</b>					
Interest rate derivatives	\$ -	\$ (218)	\$ -	\$ -	\$ (218)
Foreign exchange derivatives	-	-	(36)	-	(36)
Credit derivatives	-	-	-	21	21
Total	\$ -	\$ (218)	\$ (36)	\$ 21	\$ (233)

**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) may 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 below a specified rating 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, 2019, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2019, securities valued at \$135,000 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, 2019, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally between 0% and 2% 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 rates, security prices, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the six months ended June 30, 2019, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 5% and 19% 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, call and put options on futures give the holder the right, but not the obligation, to purchase or sell, respectively, a position in a particular futures contract at a specified exercise price. 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 credit ratings; and, for options written, potential losses in excess of the fund's initial investment. During the six months ended June 30, 2019, the volume of the fund's activity in options, based on underlying notional amounts, was generally less than 1% of net assets.

**Swaps** The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage 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. 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, 2019, the notional amount of protection sold by the fund totaled \$2,499,000 (1.4% 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, 2019, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally between 0% and 2% 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 13% 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, Sale Commitments and Forward Settling Mortgage Obligations** 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 Master Securities Forward Transaction Agreements with 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 and other forward settling mortgage obligations with a particular counterparty (collectively, MSFTA Transactions). At any time, the fund’s risk of loss from a particular counterparty related to its MSFTA Transactions is the aggregate unrealized gain on appreciated MSFTA Transactions in excess of unrealized loss on depreciated MSFTA Transactions and collateral received, if any, from such counterparty. As of June 30, 2019, no collateral was pledged by either the fund or counterparties for MSFTA Transactions.

**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. 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, 2019, the value of loaned securities was \$311,000; the value of cash collateral and related investments was \$323,000.

**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., 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 \$37,127,000 and \$42,213,000, respectively, for the six months ended June 30, 2019. Purchases and sales of U.S. government securities aggregated \$39,690,000 and \$36,898,000, respectively, for the six months ended June 30, 2019.

## 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, 2019, the cost of investments for federal income tax purposes was \$146,807,000. Net unrealized gain aggregated \$39,517,000 at period-end, of which \$43,469,000 related to appreciated investments and \$3,952,000 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; expenses related to borrowing, taxes, and brokerage and other transaction costs; and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund. Effective July 1, 2018, T. Rowe Price has contractually agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's overall management fee rate to 0.85% of the fund's average daily net assets, through at least April 30, 2020. This contractual arrangement will renew automatically for one-year terms thereafter and may be terminated only with approval of the fund's Board. The fund has no obligation to repay fees reduced under this arrangement.

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, 2019, 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%	28
T. Rowe Price Institutional Emerging Markets Equity Fund	1.10%	43
T. Rowe Price Institutional Floating Rate Fund	0.55%	3
T. Rowe Price Institutional High Yield Fund	0.50%	17
T. Rowe Price International Bond Fund - I Class	0.49%	14
T. Rowe Price Real Assets Fund - I Class	0.64%	8
Total Management Fee Waived		\$ 113

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, 2019, 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**

Effective for reporting periods on or after March 1, 2019, a fund, except a money market fund, files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, a fund, including a money market fund, filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A money market fund files detailed month-end portfolio holdings information on Form N-MFP with the SEC each month and posts a complete schedule of portfolio holdings on its website (troweprice.com) as of each month-end for the previous six months. A fund's Forms N-PORT, N-MFP and N-Q are available electronically on the SEC's website (sec.gov).

**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 11–12, 2019 (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, 2018, 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 an all-inclusive management fee, which is based on the fund's average daily net assets. However, the fund has a contractual limitation in place whereby the Advisor has agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's management fee rate to 0.85% of the fund's average daily net assets. Any fees waived under this management fee waiver agreement are not subject to reimbursement to the Advisor by the fund. 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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)**

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 fourth quintile (Expense Universe), and the fund's total expenses ranked in the fourth quintile (Expense Group) and third quintile (Expense Universe).

The Board requested additional information from management with respect to the fund's relative management fees 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®**

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## SEMIANNUAL REPORT

June 30, 2019

T. ROWE PRICE

# Equity Income Portfolio

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## HIGHLIGHTS

- U.S. stocks rallied in the first half of 2019 after the Federal Reserve and other central banks turned more accommodative amid signs of slowing global growth and the escalating U.S.-China trade battle.
- The Equity Income Portfolio returned 15.66% in its fiscal first half and underperformed the Russell 1000 Value Index.
- Many of the top absolute contributors were information technology stocks as the sector rebounded from a fourth-quarter sell-off. Detractors were concentrated in health care, the biggest laggard in the index, as the possibility of stricter government regulation stirred uncertainty for the sector.
- Valuations appear mildly expensive following the first-half runup, but we are still finding companies offering good value on an absolute and relative basis. While the Fed's dovish pivot is positive for the market, trade tensions with China and other geopolitical flareups will potentially stoke uncertainty and financial markets volatility for the rest of 2019.

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## Dear Investor

Markets overcame a bout of volatility in May and recorded exceptional returns in the six months ended June 30, 2019. The large-cap S&P 500 Index reached record highs and notched its best start to a year in over two decades. Overseas equity markets were also strong, while bond prices rose as longer-term interest rates fell to their lowest levels since late 2016.

Markets rebounded to start the year, as many of the worries behind the sell-off in late 2018 receded. Investors seemed most relieved by a dovish pivot in monetary policy. The S&P 500 scored its best daily gain for the period on January 4, after Federal Reserve Chair Jerome Powell pledged that the central bank would respond with all the tools at its disposal to counteract an economic downturn or financial turmoil. The Fed soon paused and kept rates steady following a series of quarterly hikes stretching back to late 2017.

Investors also seemed comforted by progress in U.S.-China trade relations. In March, President Donald Trump postponed a threatened tariff increase on Chinese goods and remarked that the two sides were “getting very close” to a deal. Encouraging statements continued to flow from the White House, and speculation grew that Chinese President Xi Jinping would soon visit Washington to sign an agreement.

Hopes for a deal were dashed in early May, however, sending stocks sharply lower. With negotiations at a standstill, on May 10, the administration increased the tariff rate to 25% from 10% on \$200 billion in Chinese goods, as the president had long threatened. China soon retaliated with its own tariffs. A technological “cold war” also seemed to be developing, with both sides taking measures to cut off the other’s access to key components and raw materials. Stocks fell sharply in response, and the small- and mid-cap indexes moved back into correction territory, or down more than 10% from the highs they established late in the previous summer.

Another turn in trade policy in June helped stocks recover their losses. The White House abandoned an earlier threat to put tariffs on Mexican imports in response to immigration issues, and President Trump again softened his stance on China. Markets were closed on the final weekend of the month, when the president announced that he and President Xi had agreed to resume trade negotiations and arranged a truce that would at least temporarily prevent the imposition of further tariffs.

An even bigger factor in the June rebound appeared to be growing confidence that the Fed would cut interest rates rather than merely keep them steady. Fed Chair Powell pledged that policymakers were paying close attention to the impact of trade tensions on the economy and would “act as appropriate to sustain the expansion.” Policymakers also dropped references to being “patient” in adjusting monetary policy. By the end of the month, futures markets were pricing in 75 basis points (0.75 percentage point) of cuts in the second half of the year, with a reasonable chance of more to come in 2020.

The dovish shift in Fed policy has been driven by accumulating evidence of slowing global growth. Rising trade barriers have taken a heavy toll on the global manufacturing sector, and business investment has pulled back as managers confront additional sources of uncertainty, such as the possibility of a disorderly Brexit this October. As a result, corporate earnings growth has stalled in the U.S. and turned negative in other major markets. On the positive side, consumers remain in much better shape, particularly domestically.

We see little evidence to suggest a recession is on the horizon. Indeed, with markets at all-time highs, investors seem willing to bet that this decade-long economic recovery still has legs. We will keep a close eye on developments and rely on our careful fundamental research to avoid pitfalls; I am confident our strategic investing approach will continue to serve our shareholders well.

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

Sincerely,



Robert Sharps  
Group Chief Investment Officer

## INVESTMENT OBJECTIVE

The portfolio 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 15.66% for the six months ended June 30, 2019. The portfolio underperformed the Russell 1000 Value Index and outperformed its peer group, the Lipper Variable Annuity Underlying Equity Income Funds Average. (Returns for the Equity Income Portfolio–II reflect a different fee structure. *Past performance cannot guarantee future results.*)

#### PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/19	Total Return
Equity Income Portfolio	15.66%
Equity Income Portfolio–II	15.50
Russell 1000 Value Index	16.24
S&P 500 Index	18.54
Lipper Variable Annuity Underlying Equity Income Funds Average	14.54

### What factors influenced the fund's performance?

Many of the portfolio's best performers were information technology stocks as the sector rebounded from a sizable sell-off in the last quarter of 2018. **Qualcomm** was the top contributor after the mobile phone chipmaker reached a settlement with Apple in a long-running legal dispute over patent royalties, pushing up the company's shares to their highest levels since 2014 at the end of June. Software company **Microsoft** and network equipment maker **Cisco Systems** also ranked among the leading contributors. In the consumer staples sector, **Tyson Foods** helped returns as fundamentals in the chicken market improved and an outbreak of African swine fever across Asia last year led to expectations for higher U.S. protein prices. Among financials, **American International Group** contributed to performance after the insurer reported better-than-expected earnings in May after six quarters of earnings misses, aided by a long-awaited turnaround in its core property-casualty business. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Detractors were concentrated in health care, the biggest laggard year-to-date, as political pressure to contain drug and other health care costs raised fears of government intervention. Company-specific events also weighed on our health care holdings: **CVS Health** held back returns after the pharmacy chain gave a downbeat financial forecast in February due to weakness in its pharmacy benefit management and long-term care businesses. **Bristol-Myers Squibb** hurt performance after

the drugmaker unexpectedly announced that it would divest a psoriasis treatment to address regulatory concerns related to its planned acquisition of Celgene. Other detractors hailed from various sectors: **State Street** hurt returns after the custody bank warned of a tougher operating environment due to the flattening U.S. Treasury yield curve, sending its shares to a nearly three-year low by period-end. **Occidental Petroleum** detracted from performance as the market reacted negatively to the company's controversial \$38 billion takeover of Anadarko Petroleum, which angered major shareholders after Occidental's board pushed through the deal without a shareholder vote. Occidental was the biggest detractor in the first half, and its shares fell to their lowest level in more than a decade at the end of June.

#### SECTOR DIVERSIFICATION

	Percent of Net Assets	
	12/31/18	6/30/19
Financials	23.5%	22.8%
Health Care	14.1	13.2
Industrials and Business Services	10.9	11.6
Energy	9.2	9.6
Information Technology	7.5	8.5
Consumer Staples	6.9	8.1
Utilities	7.6	7.7
Communication Services	8.1	6.6
Materials	5.0	4.1
Real Estate	2.6	3.1
Consumer Discretionary	2.4	2.3
Other and Reserves	2.2	2.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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. The portfolio's holdings tend to be solid, higher-quality companies going through a period of controversy or stress, 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.

Our exposure to financials, the portfolio's largest sector allocation, remained broadly unchanged as we trimmed holdings that performed well over the year's first half and bought names whose valuations had fallen to attractive levels. We reduced our position in **JPMorgan Chase** after strong performance and in regional bank **KeyCorp** due to its relatively high credit exposure. We increased our position in

**Wells Fargo**, our top holding at period-end. Despite the onslaught of reputational and regulatory problems stemming from a fake customer accounts scandal in 2016, we believe that Wells Fargo's stock price reflects much of the bad news surrounding the company and that it offers the most attractive risk/reward opportunity among U.S. large-cap banks.

Our exposure to health care, the second-largest allocation, declined. We reduced our holdings in **Merck** after a strong run and increased our positions in CVS Health and Bristol-Myers Squibb after share price weakness in both companies left their risk/reward profiles more attractive. Industrials and business services accounted for the third-largest sector allocation but our largest overweight versus the benchmark. Our exposure to industrials and business services increased slightly, reflecting the sector's broad gains and a few key purchases. We added to our position in conglomerate **GE**, which has sustained many problems across its businesses over the past two years but lately made tangible progress in addressing balance sheet concerns and turning itself around under a new chief executive.

Other names we bought that are experiencing near-term controversy included Qualcomm, which remains under a legal cloud after a federal judge ruled in May that the company violated U.S. antitrust laws. Despite the company's legal headwinds, we think that the market has underappreciated Qualcomm's earnings growth potential and continue to like the stock over the long term. We added to our position in timberland owner **Weyerhaeuser**, whose shares lost more than a third of their value in 2018 amid a glut in domestic lumber supply spurred by a cooling housing market and the trade dispute with China. Weyerhaeuser has generated strong cash flow and paid a hefty dividend yield, however, and we took advantage of its weakness to increase our position. In the materials sector, we initiated a position in **Dow**, the commodity chemicals company that recently completed its spinoff from conglomerate DowDuPont. Although Dow operates in a cyclical industry that is levered to global demand, the company benefits from having a strong balance sheet, an above-market dividend yield, and a management team focused on cost-cutting and prudent capital allocation. We think that Dow's internal discipline helps offset the unpredictable nature of its business.

### What is portfolio management's outlook?

The S&P 500 Index recorded its best first-half performance since 1997 after the Federal Reserve signaled in June its willingness to cut interest rates if the economic outlook doesn't improve. While the Fed's unexpectedly dovish turn makes us uneasy because it raises the possibility that the central bank capitulated to presidential pressure to keep rates low, we interpret its latest decision as a sign that it will serve as a corrective mechanism if U.S.-China trade talks founder and end up slowing the economy's momentum. As we stated in our year-end 2018 letter in December, the trade rift with China remains a major source of investor anxiety and a growing threat to confidence and spending for consumers and businesses the longer it drags on. Despite the temporary détente struck at the G-20 summit in June, the U.S. and China harbor deep differences on intellectual property theft, technology transfer, China's industrial policy, and other issues that defy a quick or easy resolution. We anticipate that trade tensions with China and other geopolitical flareups will spur heightened volatility in the coming months, particularly if evidence grows that the latest tariff hikes are hurting consumer spending or corporate earnings.

Valuations appear mildly expensive following the first-half runup, but we are still finding companies that offer good value on an absolute and relative basis. Though we realize that periods of high volatility can be unsettling, they lead to the best buying opportunities for long-term investors since they allow us to buy and sell companies at more attractive prices. Our disciplined investment approach, attention to valuation, and in-depth knowledge of our holdings accumulated by T. Rowe Price's equity research team have served us well in uncertain environments over many years. We are confident that these qualities will allow us to navigate what we believe will be a turbulent market environment for the rest of 2019.

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 advisor'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**

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**TWENTY-FIVE LARGEST HOLDINGS**

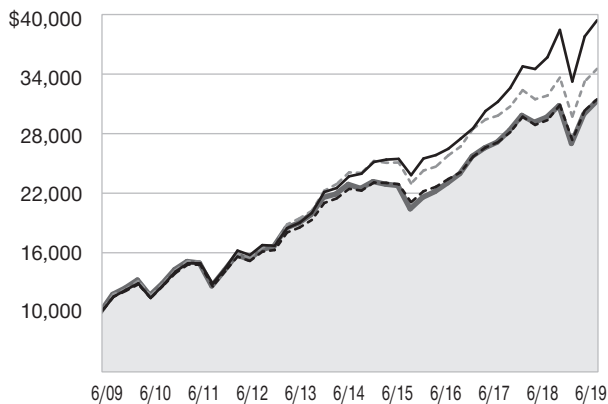
	<b>Percent of Net Assets 6/30/19</b>
Wells Fargo	3.4%
JPMorgan Chase	3.1
Qualcomm	2.3
Southern Company	2.3
Total	2.1
ExxonMobil	2.1
Microsoft	2.1
Pfizer	2.0
Johnson & Johnson	2.0
Verizon Communications	2.0
Boeing	1.8
Harris	1.8
TC Energy	1.7
Chubb	1.7
Tyson Foods	1.7
Morgan Stanley	1.7
American International Group	1.7
Kimberly-Clark	1.7
Anthem	1.6
NiSource	1.5
MetLife	1.5
Cisco Systems	1.5
Medtronic	1.4
Fifth Third Bancorp	1.3
UPS	1.3
<b>Total</b>	<b>47.3%</b>

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



As of 6/30/19

— Equity Income Portfolio	\$31,236
--- Russell 1000 Value Index	34,529
— S&P 500 Index	39,416
--- Lipper Variable Annuity Underlying Equity Income Funds Average	31,461

Note: Performance for the II Class will vary due to its differing fee structure. See the Average Annual Compound Total Return table.

## AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/19	1 Year	5 Years	10 Years
Equity Income Portfolio	5.34%	6.41%	12.06%
Equity Income Portfolio-II	5.09	6.15	11.78

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)**

<b>EQUITY INCOME PORTFOLIO</b>			
	<b>Beginning Account Value 1/1/19</b>	<b>Ending Account Value 6/30/19</b>	<b>Expenses Paid During Period* 1/1/19 to 6/30/19</b>
<b>Equity Income Portfolio</b>			
Actual	\$1,000.00	\$1,156.60	\$3.96
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.12	3.71
<b>Equity Income Portfolio-II</b>			
Actual	1,000.00	1,155.00	5.29
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.89	4.96

\* 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 0.74%, and the Equity Income Portfolio-II was 0.99%.



T. ROWE PRICE EQUITY INCOME PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Equity Income Class

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 23.36	\$ 29.27	\$ 28.34	\$ 26.81	\$ 30.02	\$ 28.45
Investment activities						
Net investment income <sup>(1)(2)</sup>	0.29	0.58	0.51	0.61	0.52	0.50
Net realized and unrealized gain / loss	3.36	(3.28)	4.00	4.50 <sup>(3)</sup>	(2.58)	1.58
Total from investment activities	3.65	(2.70)	4.51	5.11	(2.06)	2.08
Distributions						
Net investment income	(0.28)	(0.59)	(0.53)	(0.67)	(0.53)	(0.51)
Net realized gain	–	(2.62)	(3.05)	(2.91)	(0.62)	–
Total distributions	(0.28)	(3.21)	(3.58)	(3.58)	(1.15)	(0.51)
<b>NET ASSET VALUE</b>						
End of period	\$ 26.73	\$ 23.36	\$ 29.27	\$ 28.34	\$ 26.81	\$ 30.02

Ratios/Supplemental Data

<b>Total return<sup>(2)(4)</sup></b>	<b>15.66%</b>	<b>(9.50)%</b>	<b>16.02%</b>	<b>19.17%<sup>(3)</sup></b>	<b>(6.85)%</b>	<b>7.38%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.74% <sup>(5)</sup>	0.80%	0.85%	0.85%	0.85%	0.85%
Net expenses after waivers/payments by Price Associates	0.74% <sup>(5)</sup>	0.80%	0.85%	0.85%	0.85%	0.85%
Net investment income	2.29% <sup>(5)</sup>	2.01%	1.73%	2.17%	1.78%	1.72%
Portfolio turnover rate	10.9%	16.5%	19.9%	18.5%	27.5%	11.4%
Net assets, end of period (in millions)	\$ 460	\$ 428	\$ 541	\$ 551	\$ 605	\$ 851

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> Includes a voluntary payment from Price Associates, related to a loss of value on its investment in Dell as a result of the fund's ineligibility to pursue an appraisal action, representing \$0.13 per share based upon shares outstanding on the date of payment (6/6/16). The payment increased total return by 0.53%.

<sup>(4)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(5)</sup> 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 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 23.27	\$ 29.16	\$ 28.25	\$ 26.73	\$ 29.94	\$ 28.38
Investment activities						
Net investment income <sup>(1)(2)</sup>	0.26	0.51	0.44	0.52	0.44	0.43
Net realized and unrealized gain / loss	3.34	(3.26)	3.98	4.50 <sup>(3)</sup>	(2.57)	1.57
Total from investment activities	3.60	(2.75)	4.42	5.02	(2.13)	2.00
Distributions						
Net investment income	(0.25)	(0.52)	(0.46)	(0.59)	(0.46)	(0.44)
Net realized gain	-	(2.62)	(3.05)	(2.91)	(0.62)	-
Total distributions	(0.25)	(3.14)	(3.51)	(3.50)	(1.08)	(0.44)
<b>NET ASSET VALUE</b>						
End of period	\$ 26.62	\$ 23.27	\$ 29.16	\$ 28.25	\$ 26.73	\$ 29.94

**Ratios/Supplemental Data**

<b>Total return<sup>(2)(4)</sup></b>	<b>15.50%</b>	<b>(9.69)%</b>	<b>15.73%</b>	<b>18.85%<sup>(3)</sup></b>	<b>(7.10)%</b>	<b>7.10%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.99% <sup>(5)</sup>	1.05%	1.10%	1.10%	1.10%	1.10%
Net expenses after waivers/payments by Price Associates	0.99% <sup>(5)</sup>	1.05%	1.10%	1.10%	1.10%	1.10%
Net investment income	2.05% <sup>(5)</sup>	1.77%	1.48%	1.89%	1.51%	1.47%
Portfolio turnover rate	10.9%	16.5%	19.9%	18.5%	27.5%	11.4%
Net assets, end of period (in thousands)	\$ 210,893	\$ 183,383	\$ 208,017	\$ 205,562	\$ 270,238	\$ 406,097

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> Includes a voluntary payment from Price Associates, related to a loss of value on its investment in Dell as a result of the fund's ineligibility to pursue an appraisal action, representing \$0.13 per share based upon shares outstanding on the date of payment (6/6/16). The payment increased total return by 0.51%.

<sup>(4)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(5)</sup> Annualized

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

T. ROWE PRICE EQUITY INCOME PORTFOLIO

June 30, 2019 (Unaudited)

**PORTFOLIO OF INVESTMENTS†**

**Shares/Par \$ Value**

(Cost and value in \$000s)

**COMMON STOCKS 95.0%**

**Communication Services 6.6%**

**Diversified Telecommunication Services 3.1%**

AT&T	105,907	3,549
CenturyLink	60,866	716
Telefonica (EUR)	424,540	3,491
Verizon Communications	229,121	13,089
		20,845

**Entertainment 1.5%**

Fox, Class B	183,033	6,686
Walt Disney	23,416	3,270
		9,956

**Media 2.0%**

Comcast, Class A	185,572	7,846
News, Class A	407,900	5,503
		13,349
Total Communication Services		44,150

**Consumer Discretionary 2.3%**

**Auto Components 0.1%**

Adient	14,620	355
		355

**Hotels, Restaurants & Leisure 1.1%**

Las Vegas Sands	104,801	6,192
MGM Resorts International	35,100	1,003
		7,195

**Leisure Products 0.4%**

Mattel (1)	242,240	2,715
		2,715

**Multiline Retail 0.4%**

Kohl's	62,730	2,983
		2,983

**Shares/Par \$ Value**

(Cost and value in \$000s)

**Specialty Retail 0.3%**

L Brands	90,060	2,351
		2,351

Total Consumer Discretionary		15,599
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**Consumer Staples 8.1%**

**Beverages 0.3%**

PepsiCo	14,524	1,904
		1,904

**Food & Staples Retailing 1.0%**

Walmart	63,400	7,005
		7,005

**Food Products 3.8%**

Bunge	58,600	3,265
Conagra Brands	259,126	6,872
Corteva (1)	88,823	2,626
Kellogg	21,600	1,157
Tyson Foods, Class A	142,689	11,521
		25,441

**Household Products 1.7%**

Kimberly-Clark	83,700	11,156
		11,156

**Personal Products 0.1%**

Coty, Class A	35,768	479
		479

**Tobacco 1.2%**

Philip Morris International	107,700	8,458
		8,458

Total Consumer Staples		54,443
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**Energy 9.6%**

**Oil, Gas & Consumable Fuels 9.6%**

Chevron	49,510	6,161
Equitrans Midstream	52,768	1,040
Exxon Mobil	184,602	14,146
Hess	56,371	3,583
Occidental Petroleum	155,900	7,839

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Pioneer Natural Resources	27,800	4,277
Targa Resources	37,500	1,472
TC Energy	236,448	11,709
TOTAL (EUR)	253,515	14,221
Total Energy		64,448
<b>Financials 22.8%</b>		
<b>Banks 11.1%</b>		
Bank of America	13,175	382
Citigroup	74,900	5,245
Fifth Third Bancorp	324,441	9,052
JPMorgan Chase	185,758	20,768
KeyCorp	18,462	328
PNC Financial Services Group	52,000	7,139
US Bancorp	161,514	8,463
Wells Fargo	488,569	23,119
		74,496
<b>Capital Markets 4.4%</b>		
Ameriprise Financial	7,286	1,058
Bank of New York Mellon	48,800	2,155
Franklin Resources	142,050	4,943
Morgan Stanley	258,599	11,329
Northern Trust	22,600	2,034
State Street	138,000	7,736
		29,255
<b>Diversified Financial Services 0.1%</b>		
AXA Equitable Holdings	45,735	956
		956
<b>Insurance 7.2%</b>		
American International Group	212,496	11,322
Brighthouse Financial (1)	64,737	2,375
Chubb	78,859	11,615
Loews	126,110	6,894
Marsh & McLennan	22,698	2,264
MetLife	197,000	9,785
Willis Towers Watson	21,930	4,201
		48,456
Total Financials		153,163

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Health Care 12.4%</b>		
<b>Biotechnology 1.2%</b>		
Gilead Sciences	118,200	7,986
		7,986
<b>Health Care Equipment &amp; Supplies 2.0%</b>		
Becton Dickinson & Company	8,848	2,230
Medtronic	98,111	9,555
Zimmer Biomet Holdings	16,300	1,919
		13,704
<b>Health Care Providers &amp; Services 2.8%</b>		
Anthem	37,352	10,541
CVS Health	145,117	7,907
		18,448
<b>Pharmaceuticals 6.4%</b>		
Allergan	20,600	3,449
Bristol-Myers Squibb	112,200	5,088
GlaxoSmithKline (GBP)	212,934	4,268
GlaxoSmithKline, ADR	5,900	236
Johnson & Johnson	94,896	13,217
Merck	37,249	3,124
Pfizer	311,831	13,509
		42,891
Total Health Care		83,029
<b>Industrials &amp; Business Services 11.6%</b>		
<b>Aerospace &amp; Defense 3.9%</b>		
Boeing	33,742	12,283
Harris	64,707	12,238
Northrop Grumman	2,000	646
United Technologies	5,300	690
		25,857
<b>Air Freight &amp; Logistics 1.3%</b>		
United Parcel Service, Class B	82,279	8,497
		8,497
<b>Airlines 1.4%</b>		
Alaska Air Group	78,716	5,031
Delta Air Lines	52,730	2,992

	Shares/Par	\$ Value
(Cost and value in \$000s)		
Southwest Airlines	31,471	1,598
		9,621
<b>Building Products 1.2%</b>		
Johnson Controls International	203,520	8,407
		8,407
<b>Commercial Services &amp; Supplies 0.5%</b>		
Stericycle (1)	76,102	3,634
		3,634
<b>Electrical Equipment 0.7%</b>		
Emerson Electric	55,500	3,703
nVent Electric	34,000	843
		4,546
<b>Industrial Conglomerates 1.2%</b>		
General Electric	759,200	7,971
		7,971
<b>Machinery 0.6%</b>		
Flowserve	6,895	363
Illinois Tool Works	3,300	498
PACCAR	25,893	1,856
Pentair	22,100	822
Snap-on	3,200	530
		4,069
<b>Professional Services 0.8%</b>		
Nielsen Holdings	235,931	5,332
		5,332
Total Industrials & Business Services		77,934
<b>Information Technology 8.5%</b>		
<b>Communications Equipment 1.5%</b>		
Cisco Systems	178,778	9,785
		9,785
<b>Electronic Equipment, Instruments &amp; Components 0.2%</b>		
TE Connectivity	13,200	1,264
		1,264

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>IT Services 0.5%</b>		
Cognizant Technology Solutions, Class A	55,050	3,490
		3,490
<b>Semiconductors &amp; Semiconductor Equipment 3.9%</b>		
Applied Materials	89,900	4,037
NXP Semiconductors	15,000	1,464
QUALCOMM	203,229	15,460
Texas Instruments	48,442	5,559
		26,520
<b>Software 2.1%</b>		
Microsoft	103,891	13,917
		13,917
<b>Technology Hardware, Storage &amp; Peripherals 0.3%</b>		
Hewlett Packard Enterprise	53,700	803
Western Digital	25,499	1,212
		2,015
Total Information Technology		56,991
<b>Materials 4.1%</b>		
<b>Chemicals 2.8%</b>		
Akzo Nobel (EUR)	10,945	1,028
CF Industries Holdings	131,600	6,147
Dow	84,889	4,186
Dupont De Nemours	88,823	6,668
PPG Industries	6,046	706
		18,735
<b>Construction Materials 0.2%</b>		
Vulcan Materials	10,166	1,396
		1,396
<b>Containers &amp; Packaging 0.9%</b>		
International Paper	137,753	5,967
		5,967
<b>Metals &amp; Mining 0.2%</b>		
Nucor	23,567	1,299
		1,299
Total Materials		27,397

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Real Estate 3.1%</b>		
<b>Real Estate Investment Trusts 3.1%</b>		
Equity Residential, REIT	81,800	6,210
Rayonier, REIT	126,261	3,826
SL Green Realty, REIT	43,534	3,499
Weyerhaeuser, REIT	261,606	6,891
Total Real Estate		20,426
<b>Utilities 5.9%</b>		
<b>Electric Utilities 4.0%</b>		
Duke Energy	19,962	1,761
Edison International	79,198	5,339
Eversource	59,500	3,579
PG&E (1)	27,656	634
Southern	274,313	15,164
		26,477
<b>Multi-Utilities 1.9%</b>		
NiSource	340,546	9,808
Sempra Energy	22,146	3,044
		12,852
Total Utilities		39,329
<b>Total Common Stocks</b> <b>(Cost \$474,068)</b>		<b>636,909</b>
<b>CONVERTIBLE PREFERRED STOCKS 2.6%</b>		
<b>Health Care 0.8%</b>		
<b>Health Care Equipment &amp; Supplies 0.8%</b>		
Becton Dickinson & Company, Series A, 6.125%, 5/1/20	86,513	5,379
Total Health Care		5,379
<b>Utilities 1.8%</b>		
<b>Electric Utilities 0.9%</b>		
NextEra Energy, 6.123%, 9/1/19	91,065	5,965
		5,965

	Shares/Par	\$ Value
(Cost and value in \$000s)		
<b>Multi-Utilities 0.8%</b>		
DTE Energy, 6.50%, 10/1/19	11,248	631
Sempra Energy, Series A, 6.00%, 1/15/21	30,401	3,445
Sempra Energy, Series B, 6.75%, 7/15/21	9,767	1,091
		5,167
<b>Water Utilities 0.1%</b>		
Aqua America, 6.00%, 4/30/22	17,595	995
		995
Total Utilities		12,127
<b>Total Convertible Preferred Stocks</b> <b>(Cost \$14,222)</b>		<b>17,506</b>
<b>CORPORATE BONDS 0.6%</b>		
Axa, 7.25%, 5/15/21 (2)	1,288,000	1,321
Mattel, 6.75%, 12/31/25 (2)	1,447,000	1,489
Pacific Gas & Electric, 3.95%, 12/1/47 (3)	830,000	751
Pacific Gas & Electric, 4.00%, 12/1/46 (3)	660,000	599
<b>Total Corporate Bonds</b> <b>(Cost \$3,847)</b>		<b>4,160</b>
<b>SHORT-TERM INVESTMENTS 1.8%</b>		
<b>Money Market Funds 1.8%</b>		
T. Rowe Price Government Reserve Fund, 2.46% (4)(5)	12,246,260	12,246
<b>Total Short-Term Investments</b> <b>(Cost \$12,246)</b>		<b>12,246</b>
<b>Total Investments in Securities</b>		
<b>100.0% of Net Assets (Cost \$504,383)</b>	<b>\$</b>	<b>670,821</b>

- ‡ 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 period-end amounts to \$2,810 and represents 0.4% of net assets.
  - (3) Security is in default or has failed to make a scheduled interest and/or principal payment.
  - (4) Seven-day yield
  - (5) Affiliated Companies
- 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

**Futures Contracts**

(\$000s)

	Expiration Date	Notional Amount	Value and Unrealized Gain (Loss)
Long, 9 S&P 500 E-Mini Index Contracts	9/19	1,325	\$ (7)
<b>Net payments (receipts) of variation margin to date</b>			<b>13</b>
<b>Variation margin receivable (payable) on open futures contracts</b>			<b>\$ 6</b>

**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, 2019. 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.

<b>Affiliate</b>	<b>Net Realized Gain (Loss)</b>	<b>Change in Net Unrealized Gain/Loss</b>	<b>Investment Income</b>
T. Rowe Price Government Reserve Fund	\$ —#	\$ —	\$ 128+

**Supplementary Investment Schedule**

<b>Affiliate</b>	<b>Value 12/31/18</b>	<b>Purchase Cost</b>	<b>Sales Cost</b>	<b>Value 6/30/19</b>
T. Rowe Price Government Reserve Fund	\$ 10,148	□	□ \$	12,246^

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

+ Investment income comprised \$128 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 \$12,246.

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 \$504,383)	\$	670,821
Receivable for investment securities sold		2,594
Dividends and interest receivable		1,121
Foreign currency (cost \$222)		224
Receivable for shares sold		148
Cash deposits on futures contracts		57
Cash		50
Variation margin receivable on futures contracts		6
Other assets		108
Total assets		<u>675,129</u>

**Liabilities**

Payable for investment securities purchased		2,234
Payable for shares redeemed		1,579
Investment management and administrative fees payable		529
Total liabilities		<u>4,342</u>

<b>NET ASSETS</b>	<b>\$</b>	<b><u>670,787</u></b>
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**Net Assets Consist of:**

Total distributable earnings (loss)	\$	190,268
Paid-in capital applicable to 25,128,511 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>480,519</u>

<b>NET ASSETS</b>	<b>\$</b>	<b><u>670,787</u></b>
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**NET ASSET VALUE PER SHARE**

<b>Equity Income Class</b> <b>(\$459,894,409 / 17,205,379 shares outstanding)</b>	<b>\$</b>	<b><u>26.73</u></b>
<b>Equity Income – II Class</b> <b>(\$210,892,828 / 7,923,132 shares outstanding)</b>	<b>\$</b>	<b><u>26.62</u></b>

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

Unaudited

**STATEMENT OF OPERATIONS**

(\$000s)

	6 Months Ended 6/30/19
<b>Investment Income (Loss)</b>	
Income	
Dividend	\$ 9,795
Interest	120
Total income	9,915
Expenses	
Investment management and administrative expense	2,420
Rule 12b-1 fees – Equity Income-II Class	252
Net expenses	2,672
Net investment income	7,243
<b>Realized and Unrealized Gain / Loss</b>	
Net realized gain (loss)	
Securities	21,017
Payment from Price Associates (Note 6)	18
Foreign currency transactions	1
Net realized gain	21,036
Change in net unrealized gain / loss	
Securities	65,180
Futures	(7)
Other assets and liabilities denominated in foreign currencies	1
Change in net unrealized gain / loss	65,174
Net realized and unrealized gain / loss	86,210
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 93,453</b>

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

Unaudited

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 <sup>(1)</sup>
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 7,243	\$ 13,834
Net realized gain	21,036	51,641
Change in net unrealized gain / loss	65,174	(130,419)
Increase (decrease) in net assets from operations	93,453	(64,944)
Distributions to shareholders		
Net earnings		
Equity Income Class	(4,865)	(53,147)
Equity Income – II Class	(1,979)	(22,070)
Decrease in net assets from distributions	(6,844)	(75,217)
Capital share transactions *		
Shares sold		
Equity Income Class	20,144	20,707
Equity Income – II Class	13,571	37,966
Distributions reinvested		
Equity Income Class	4,865	53,148
Equity Income – II Class	1,979	22,069
Shares redeemed		
Equity Income Class	(53,616)	(87,935)
Equity Income – II Class	(14,561)	(42,630)
Increase (decrease) in net assets from capital share transactions	(27,618)	3,325
<b>Net Assets</b>		
Increase (decrease) during period	58,991	(136,836)
Beginning of period	611,796	748,632
<b>End of period</b>	<b>\$ 670,787</b>	<b>\$ 611,796</b>

## \*Share information

Shares sold		
Equity Income Class	770	716
Equity Income – II Class	533	1,326
Distributions reinvested		
Equity Income Class	187	2,188
Equity Income – II Class	76	915
Shares redeemed		
Equity Income Class	(2,089)	(3,040)
Equity Income – II Class	(567)	(1,493)
Increase (decrease) in shares outstanding	(1,090)	612

<sup>(1)</sup>Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

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 (Equity Income - II Class). Equity Income-II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation** The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

**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. 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. 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. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared and paid by each class quarterly. 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 effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**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 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** 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. 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, 2019 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Common Stocks	\$ 613,901	\$ 23,008	\$ —	\$ 636,909
Convertible Preferred Stocks	—	17,506	—	17,506
Fixed Income Securities <sup>1</sup>	—	4,160	—	4,160
Short-Term Investments	12,246	—	—	12,246
Total Securities	626,147	44,674	—	670,821
Futures Contracts	6	—	—	6
Total	\$ 626,153	\$ 44,674	\$ —	\$ 670,827

<sup>1</sup>Includes Corporate Bonds.

### NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2019, 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, to enhance return, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. As of June 30, 2019, the fund held equity futures with cumulative unrealized loss of \$7,000; the value reflected on the accompanying Statement of Assets and Liabilities is the related unsettled variation margin.

Additionally, during the six months ended June 30, 2019, the fund recognized \$7,000 of loss on equity derivatives included in change in unrealized gain/loss on Futures on the accompanying Statement of Operations.

**Counterparty Risk and Collateral** The fund invests in exchange-traded or centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps. Counterparty risk on such derivatives is minimal because the clearinghouse provides protection against counterparty defaults. For futures and centrally cleared swaps, the fund is required to deposit collateral in an amount specified by the clearinghouse and the clearing firm (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearinghouse and clearing firm, in its sole discretion, may adjust the margin requirements applicable to the fund.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. 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. This ability is subject to the liquidity of underlying positions. As of June 30, 2019, cash of \$57,000 had been posted by the fund for exchange-traded and/or centrally cleared derivatives.

**Futures Contracts** The fund is subject to equity price risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rates, security prices, foreign currencies and credit quality; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and potential losses in excess of the fund's initial investment. During the six months ended June 30, 2019, the volume of the fund's activity in futures, 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.

**Other** Purchases and sales of portfolio securities other than short-term securities aggregated \$70,126,000 and \$97,648,000, respectively, for the six months ended June 30, 2019.

#### 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, 2019, the cost of investments for federal income tax purposes was \$507,742,000. Net unrealized gain aggregated \$163,076,000 at period-end, of which \$189,275,000 related to appreciated investments and \$26,199,000 related to depreciated investments.

#### NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.85% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest; expenses related to borrowing, taxes, and brokerage and other transaction costs; and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund. Effective July 1, 2018, T. Rowe Price has contractually agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's overall management fee rate to 0.74% of the fund's average daily net assets, through at least April 30, 2020. This contractual arrangement will renew automatically for one-year terms thereafter and may be terminated only with approval of the fund's Board. The fund has no obligation to repay fees reduced under this arrangement.



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.

On April 2, 2019, Price Associates reimbursed the fund \$18,000 (0.0% of net assets) for the estimated effect of an under-reported cash balance available for investment.

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, 2019, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

## **NOTE 7 - 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. A motion to dismiss was filed in this case and the district court granted the motion on January 9, 2017. In light of a Supreme Court decision in an unrelated case, the trustee has sought leave to amend the dismissed complaint. 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. Both suits also seek prejudgment interest. The plaintiffs in this second action filed a petition for a writ of certiorari with the U.S. Supreme Court, which the Supreme Court has deferred. 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 \$25,684,000 (3.82% 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.

## **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**

Effective for reporting periods on or after March 1, 2019, a fund, except a money market fund, files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, a fund, including a money market fund, filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A money market fund files detailed month-end portfolio holdings information on Form N-MFP with the SEC each month and posts a complete schedule of portfolio holdings on its website (troweprice.com) as of each month-end for the previous six months. A fund's Forms N-PORT, N-MFP and N-Q are available electronically on the SEC's website (sec.gov).

**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 11–12, 2019 (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, 2018, 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. However, the fund has a contractual limitation in place whereby the Advisor has agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's management fee rate to 0.74% of the fund's average daily net assets. Any fees waived under this management fee waiver agreement are not subject to reimbursement to the Advisor by the fund. 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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)**

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 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, 2019

T. ROWE PRICE

# International Stock Portfolio

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## HIGHLIGHTS

- The International Stock Portfolio returned 16.64% in the six months ended June 30, 2019, handily outperforming its benchmark, the MSCI All Country World Index ex USA Net, and the MSCI All Country World Index ex USA, but trailing the Lipper peer group average.
- The portfolio's performance benefited from stock selection in the financials, information technology, consumer staples, and consumer discretionary sectors, but stock selection in the energy sector detracted.
- We buy and hold companies with durable franchises that we believe can generate steady earnings and cash flow growth over the long term.
- We favor companies that we think can perform well even if economic conditions aren't ideal, if interest rates remain low, or if the U.S. dollar weakens.

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## Dear Investor

Markets overcame a bout of volatility in May and recorded exceptional returns in the six months ended June 30, 2019. The large-cap S&P 500 Index reached record highs and notched its best start to a year in over two decades. Overseas equity markets were also strong, while bond prices rose as longer-term interest rates fell to their lowest levels since late 2016.

Markets rebounded to start the year, as many of the worries behind the sell-off in late 2018 receded. Investors seemed most relieved by a dovish pivot in monetary policy. The S&P 500 scored its best daily gain for the period on January 4, after Federal Reserve Chair Jerome Powell pledged that the central bank would respond with all the tools at its disposal to counteract an economic downturn or financial turmoil. The Fed soon paused and kept rates steady following a series of quarterly hikes stretching back to late 2017.

Investors also seemed comforted by progress in U.S.-China trade relations. In March, President Donald Trump postponed a threatened tariff increase on Chinese goods and remarked that the two sides were “getting very close” to a deal. Encouraging statements continued to flow from the White House, and speculation grew that Chinese President Xi Jinping would soon visit Washington to sign an agreement.

Hopes for a deal were dashed in early May, however, sending stocks sharply lower. With negotiations at a standstill, on May 10, the administration increased the tariff rate to 25% from 10% on \$200 billion in Chinese goods, as the president had long threatened. China soon retaliated with its own tariffs. A technological “cold war” also seemed to be developing, with both sides taking measures to cut off the other’s access to key components and raw materials. Stocks fell sharply in response, and the small- and mid-cap indexes moved back into correction territory, or down more than 10% from the highs they established late in the previous summer.

Another turn in trade policy in June helped stocks recover their losses. The White House abandoned an earlier threat to put tariffs on Mexican imports in response to immigration issues, and President Trump again softened his stance on China. Markets were closed on the final weekend of the month, when the president announced that he and President Xi had agreed to resume trade negotiations and arranged a truce that would at least temporarily prevent the imposition of further tariffs.

An even bigger factor in the June rebound appeared to be growing confidence that the Fed would cut interest rates rather than merely keep them steady. Fed Chair Powell pledged that policymakers were paying close attention to the impact of trade tensions on the economy and would “act as appropriate to sustain the expansion.” Policymakers also dropped references to being “patient” in adjusting monetary policy. By the end of the month, futures markets were pricing in 75 basis points (0.75 percentage point) of cuts in the second half of the year, with a reasonable chance of more to come in 2020.

The dovish shift in Fed policy has been driven by accumulating evidence of slowing global growth. Rising trade barriers have taken a heavy toll on the global manufacturing sector, and business investment has pulled back as managers confront additional sources of uncertainty, such as the possibility of a disorderly Brexit this October. As a result, corporate earnings growth has stalled in the U.S. and turned negative in other major markets. On the positive side, consumers remain in much better shape, particularly domestically.

We see little evidence to suggest a recession is on the horizon. Indeed, with markets at all-time highs, investors seem willing to bet that this decade-long economic recovery still has legs. We will keep a close eye on developments and rely on our careful fundamental research to avoid pitfalls; I am confident our strategic investing approach will continue to serve our shareholders well.

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 16.64% in the six months ended June 30, 2019. The portfolio outperformed its benchmark, the MSCI All Country World Index ex USA Net, and the MSCI All Country World Index ex USA, but it trailed its Lipper peer group average. Effective July 1, 2018, the MSCI All Country World Index ex USA Net replaced the MSCI All Country World Index ex USA as the portfolio's primary benchmark. The new index assumes the reinvestment of dividends after the deduction of withholding taxes applicable to the country where the dividend is paid; as such, the returns of the new benchmark are more representative of the returns experienced by investors in foreign issuers. *(Past performance cannot guarantee future results.)*

### PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/19	Total Return
International Stock Portfolio	16.64%
MSCI All Country World Index ex USA Net	13.60
MSCI All Country World Index ex USA	13.99
Lipper Variable Annuity Underlying	
International Multi-Cap Growth Funds Average	17.15

### What factors influenced the fund's performance?

Stock selection was the primary driver of our strong relative returns, and sector allocation decisions contributed to a lesser degree. Stock selection in the financials sector was a strong relative performance contributor. Our large position in Hong Kong-based **AIA Group** generated standout absolute and relative results. AIA is a life insurer with exposure to many fast-growing markets in Asia, including mainland China. The company's stock gained more than 30% in the reporting period. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

**Axis Bank** was another top absolute and relative performance contributor. The India-based bank's shares climbed more than 30% under the guidance of its new CEO in the first half of 2019. Axis reported significantly improved asset quality, as its nonperforming loans continued to decline, and although credit

costs remained above normal, investors took comfort in the CEO's pledge that most issues had been captured by previous provisioning. Improving operational trends, including loan growth and interest margins, led to operating profit growth.

Our information technology holdings posted the best contribution to absolute and relative returns thanks to stock selection and our overweight to the sector. **NXP Semiconductors**, the Netherlands' largest chipmaker, gained about 34%. Coupled with good performance, our significant overweight in the stock generated the best contribution to relative performance in the sector. **MasterCard**, the U.S.-based global payment processor, rallied more than 40% over the past six months as rising transaction volumes across a wider range of markets led to revenue and earnings gains.

Our consumer staples and consumer discretionary holdings also posted strong contributions to absolute and relative returns. Internet and direct marketing retailer **Naspers** (South Africa) generated solid results. Naspers, which owns large stakes in **Tencent Holdings** (China) and Mail.ru (Russia), trades at a large discount to the firm's underlying total net assets. Management has been actively engaged in measures to address the discount, including a spinoff of its pay-TV unit MultiChoice, and those efforts led to an approximately 24% share price gain over the reporting period. In the staples segment, **Nestle** (Switzerland), **Essity** (Sweden), and **Kweichow Moutai** (China) posted excellent gains and relative performance contributions.

### SECTOR DIVERSIFICATION

	Percent of Net Assets	
	12/31/18	6/30/19
Financials	18.6%	17.0%
Consumer Discretionary	13.0	15.5
Information Technology	12.2	13.4
Consumer Staples	12.4	12.2
Health Care	12.8	11.1
Industrials and Business Services	11.2	10.6
Communication Services	8.7	7.4
Materials	4.4	4.4
Energy	3.2	2.9
Utilities	1.4	1.4
Real Estate	0.6	0.5
Other and Reserves	1.5	3.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Historical weightings reflect current industry/sector classifications.

Although every sector in the portfolio generated positive performance, the energy sector was relatively weak. Our energy underweight did not offset poor stock selection within the group. Canada-based **Seven Generations Energy** was our poorest performer in the sector. During the period, we closed out our position in Alberta, Canada-based **TC Energy** for a solid gain and initiated a position in French energy company **Total**.

#### How is the fund positioned?

Overall, our regional views have not materially changed. We believe that Europe (42% of portfolio assets) offers a plethora of opportunities to buy durable growth companies with good risk/reward trade-offs. While it remained the largest regional weighting, we are slightly underweight versus the benchmark. Our holdings in the Pacific region (excluding Japan) totaled 24% of the portfolio at the end of the reporting period. Our 14% allocation to Japan remained below the weight in the benchmark because we have avoided its banks, and because the Japanese economy has shown uneven economic growth in recent quarters. We have a modest overweight to emerging markets (27%), and we maintained an overweight in North America, where we own multinational companies that generate a large portion of their revenues and income overseas.

We added to our overweight in consumer discretionary. While we eliminated several positions—**Ctrip.com International** (China) and **Mercari** (Japan) among our internet retailers and **Bridgestone** (Japan) in the auto components segment—we swapped them for new positions in France-based **LVMH Moët Hennessy Louis Vuitton** and **EssilorLuxottica**. During the period, we increased our emerging markets allocation within the consumer sector. We initiated a position in **Maruti Suzuki India** in the automotive industry group and increased our stake in **Naspers**, the portfolio's largest holding. In the consumer staples sector, we added to our stake in **Reckitt Benckiser** (UK) on price weakness. Among food and staples retailers, we added to our position and benefited from good gains in **Jeronimo Martins** (Portugal) and eliminated our longtime holding in **Japan Tobacco**.

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

We seek to own growth stocks that we believe have been mispriced by the market on a medium-term view. Although the rally this year has reduced the number of compelling opportunities, some still exist. We have incrementally added to stocks that we characterize as cyclical growers—businesses that tend to be more economically sensitive but gain share over the cycle—due to their more attractive risk/reward characteristics.

The key questions for the back half of 2019 will be: Where are we in the cycle? How close are we to recession in Europe or even the U.S.? How much room do central banks have to cut rates in the event of a global recession? We claim no edge in predicting cycles or economic recessions, but we do like the risk/reward trade-offs being presented to us at the company level in some cyclical areas of the market. Non-capital goods and areas of industrials, such as staffing companies, aerospace, and waste handling, should do well in a late-cycle environment. Our long-standing positive views on technology, health care, and financials have not changed.

We increased our emerging markets exposure over the past six months, and at the end of the period, we held a modest overweight compared with our benchmark. We favor companies that we think can perform well in a period of developed market weakness, especially given the sudden shift we have seen in interest rate expectations in both the U.S. and Europe in the last six to nine months. Where markets had expected continued rate normalization, expectations now favor rate cuts. Additionally, we believe that many emerging markets have more attractive demographics and a stronger tailwind from rising consumption than developed markets. The bottom line is we are finding compelling value in emerging markets companies versus similar companies in developed markets.

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 and believe that our best insights will come at the company level rather than by trying 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 portfolios. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency. These risks are generally greater for investments in emerging markets.

**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**

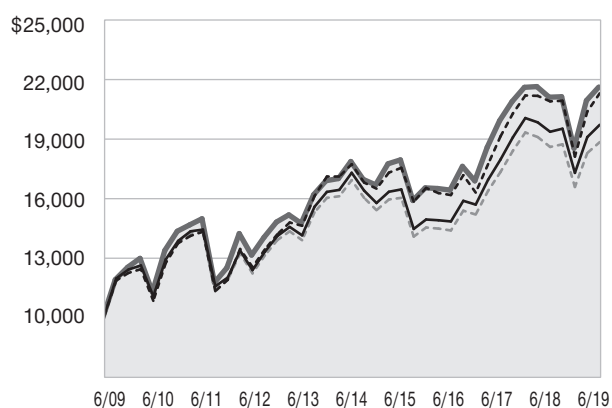
<b>Company</b>	<b>Country</b>	<b>Percent of Net Assets 6/30/19</b>
Naspers	South Africa	3.0%
Thales	France	2.1
Essity	Sweden	2.1
Takeda Pharmaceutical	Japan	2.0
Housing Development Finance	India	2.0
Nestle	Switzerland	1.9
AlA Group	Hong Kong	1.9
Alibaba Group Holding	China	1.8
Samsung Electronics	South Korea	1.7
NXP Semiconductors	Netherlands	1.7
Taiwan Semiconductor Manufacturing	Taiwan	1.6
Koninklijke Philips	Netherlands	1.5
Tencent Holdings	China	1.5
UBS	Switzerland	1.5
Nippon Telegraph & Telephone	Japan	1.5
Magna International	Canada	1.5
British American Tobacco	United Kingdom	1.4
NTPC	India	1.4
Amcor	United Kingdom	1.3
Seven & i Holdings	Japan	1.3
Galp Energia Sgps	Portugal	1.3
Lonza Group	Switzerland	1.3
MasterCard	United States	1.3
EssilorLuxottica	France	1.3
ASML Holding	Netherlands	1.2
<b>Total</b>		<b>41.1%</b>

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 6/30/19

— International Stock Portfolio	\$21,625
--- MSCI All Country World Index ex USA Net	18,846
— MSCI All Country World Index ex USA	19,719
--- Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	21,304

## AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/19	1 Year	5 Years	10 Years
International Stock Portfolio	2.44%	3.88%	8.02%

*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 1/1/19	Ending Account Value 6/30/19	Expenses Paid During Period* 1/1/19 to 6/30/19
Actual	\$1,000.00	\$1,166.40	\$5.10
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 (0.95%), 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 INTERNATIONAL STOCK PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 13.04	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72
Investment activities						
Net investment income <sup>(1) (2)</sup>	0.16	0.21	0.17	0.17	0.14	0.15
Net realized and unrealized gain/loss	2.01	(2.67)	3.80	0.14	(0.28)	(0.35)
Total from investment activities	2.17	(2.46)	3.97	0.31	(0.14)	(0.20)
Distributions						
Net investment income	-	(0.23)	(0.19)	(0.16)	(0.15)	(0.17)
Net realized gain	-	(1.62)	(0.70)	(0.55)	(0.30)	(0.09)
Total distributions	-	(1.85)	(0.89)	(0.71)	(0.45)	(0.26)

**NET ASSET VALUE**

End of period	\$ 15.21	\$ 13.04	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26
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**Ratios/Supplemental Data**

<b>Total return<sup>(2) (3)</sup></b>	<b>16.64%</b>	<b>(14.20)%</b>	<b>27.88%</b>	<b>2.13%</b>	<b>(0.90)%</b>	<b>(1.24)%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.95% <sup>(4)</sup>	1.00%	1.05%	1.05%	1.05%	1.05%
Net expenses after waivers/payments by Price Associates	0.95% <sup>(4)</sup>	1.00%	1.05%	1.05%	1.05%	1.05%
Net investment income	2.17% <sup>(4)</sup>	1.28%	1.04%	1.15%	0.88%	0.94%
Portfolio turnover rate	17.0%	36.3%	34.0%	39.5%	37.3%	45.3%
Net assets, end of period (in thousands)	\$ 293,326	\$ 271,207	\$ 382,759	\$ 310,621	\$ 305,031	\$ 329,646

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 7 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(4)</sup> Annualized

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



## T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

June 30, 2019 (Unaudited)

PORTFOLIO OF INVESTMENTS†	Shares	\$ Value
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(Cost and value in \$000s)

**ARGENTINA 0.3%****Common Stocks 0.3%**

Globant (USD)(1)	9,135	923
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<b>Total Argentina</b>		
<b>(Cost \$469)</b>		<b>923</b>

**AUSTRALIA 2.0%****Common Stocks 2.0%**

Arcor	347,184	3,950
South32	854,482	1,916

<b>Total Australia</b>		
<b>(Cost \$3,849)</b>		<b>5,866</b>

**AUSTRIA 1.1%****Common Stocks 1.1%**

Erste Group Bank (2)	90,231	3,346
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<b>Total Austria</b>		
<b>(Cost \$2,830)</b>		<b>3,346</b>

**BELGIUM 0.3%****Common Stocks 0.3%**

Galapagos (1)	6,246	807
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<b>Total Belgium</b>		
<b>(Cost \$633)</b>		<b>807</b>

**BRAZIL 1.1%****Common Stocks 1.1%**

Banco Bradesco, ADR (USD)	226,374	2,223
StoneCo, Class A (USD)(1)(3)	32,832	971

<b>Total Brazil</b>		
<b>(Cost \$2,108)</b>		<b>3,194</b>

**CANADA 3.9%****Common Stocks 3.9%**

Canadian Natural Resources	53,300	1,437
Canadian Pacific Railway	6,533	1,539
Magna International (USD)	85,843	4,266

	Shares	\$ Value
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(Cost and value in \$000s)

Restaurant Brands International (USD)	37,020	2,574
Seven Generations Energy, Class A (1)	359,159	1,761

<b>Total Canada</b>		
<b>(Cost \$11,963)</b>		<b>11,577</b>

**CHILE 0.5%****Common Stocks 0.5%**

Liberty Latin America, Class C (USD)(1)	83,614	1,437
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<b>Total Chile</b>		
<b>(Cost \$1,782)</b>		<b>1,437</b>

**CHINA 6.9%****Common Stocks 4.9%**

58.com, ADR (USD)(1)	23,782	1,479
Alibaba Group Holding, ADR (USD)(1)	31,200	5,287
China Mengniu Dairy (HKD)	450,000	1,745
China Overseas Land & Investment (HKD)	406,000	1,498
Tencent Holdings (HKD)	98,900	4,474
		14,483

**Common Stocks - China A Shares 1.8%**

BTG Hotels Group (CNH)	304,691	799
Gree Electric Appliances of Zhuhai (CNH)	274,200	2,205
Kweichow Moutai (CNH)	16,070	2,309
		5,313

**Convertible Preferred Stocks 0.2%**

Xiaoju Kuaizhi, Series A-17 Acquisition Date: 10/19/15		
Cost \$343 (USD)(1)(4)(5)	12,518	601
		601

<b>Total China</b>		
<b>(Cost \$9,505)</b>		<b>20,397</b>



	Shares	\$ Value
(Cost and value in \$000s)		
<b>FINLAND 0.8%</b>		
<b>Common Stocks 0.8%</b>		
Sampo, A Shares	51,245	2,419
<b>Total Finland</b> <b>(Cost \$2,183)</b>		<b>2,419</b>
<b>FRANCE 8.0%</b>		
<b>Common Stocks 8.0%</b>		
Air Liquide	20,991	2,936
Airbus (2)	18,281	2,587
BNP Paribas	26,985	1,279
Dassault Aviation	2,131	3,064
EssilorLuxottica	28,260	3,683
LVMH Moet Hennessy Louis Vuitton (3)	1,975	840
Thales	51,031	6,304
<b>TOTAL</b>	<b>23,254</b>	<b>1,304</b>
Ubisoft Entertainment (1)(2)	19,207	1,502
<b>Total France</b> <b>(Cost \$19,061)</b>		<b>23,499</b>
<b>GERMANY 4.6%</b>		
<b>Common Stocks 4.4%</b>		
Bayer	48,972	3,396
Fresenius	11,126	604
Infineon Technologies	37,699	670
Knorr-Bremse	11,736	1,309
Merck	12,578	1,314
SAP	19,827	2,718
Wirecard	8,192	1,383
Zalando (1)	36,087	1,598
		12,992
<b>Preferred Stocks 0.2%</b>		
Sartorius (6)	2,722	558
		558
<b>Total Germany</b> <b>(Cost \$11,684)</b>		<b>13,550</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>HONG KONG 3.8%</b>		
<b>Common Stocks 3.8%</b>		
AIA Group	511,800	5,527
CK Hutchison Holdings	179,884	1,774
Hansoh Pharmaceutical Group (1)	172,000	455
Jardine Matheson Holdings (USD)	52,700	3,324
<b>Total Hong Kong</b> <b>(Cost \$6,521)</b>		<b>11,080</b>
<b>INDIA 5.1%</b>		
<b>Common Stocks 5.1%</b>		
Axis Bank	257,519	3,020
Housing Development Finance	182,349	5,796
Maruti Suzuki India	16,877	1,599
NTPC	1,963,712	4,013
Yes Bank	323,590	508
<b>Total India</b> <b>(Cost \$8,453)</b>		<b>14,936</b>
<b>INDONESIA 1.7%</b>		
<b>Common Stocks 1.7%</b>		
Bank Central Asia	1,693,800	3,594
Sarana Menara Nusantara	30,434,500	1,517
<b>Total Indonesia</b> <b>(Cost \$2,321)</b>		<b>5,111</b>
<b>ITALY 1.0%</b>		
<b>Common Stocks 1.0%</b>		
Banca Mediolanum (3)	386,996	2,851
<b>Total Italy</b> <b>(Cost \$2,831)</b>		<b>2,851</b>
<b>JAPAN 13.6%</b>		
<b>Common Stocks 13.6%</b>		
Chugai Pharmaceutical	22,700	1,487
Daiichi Sankyo	19,700	1,033
Disco	8,100	1,337
en-japan	27,900	1,092

	Shares	\$ Value
(Cost and value in \$000s)		
Fujitsu General	112,300	1,788
Hoshizaki	11,400	850
Inpex	24,900	226
Kansai Paint	38,500	809
Koito Manufacturing	19,600	1,049
Kusuri no Aoki Holdings	8,900	627
Mitsubishi Electric	201,400	2,662
Murata Manufacturing	57,200	2,575
Nippon Telegraph & Telephone	92,600	4,314
Outsourcing	70,000	854
Persol Holdings	86,100	2,030
Sega Sammy Holdings	78,700	958
Seven & i Holdings	113,500	3,846
Stanley Electric	60,600	1,494
Suzuki Motor	16,000	753
Takeda Pharmaceutical	166,032	5,906
Terumo	49,800	1,488
Trend Micro	16,700	746
Yahoo Japan	690,900	2,032
<b>Total Japan</b>		
<b>(Cost \$36,365)</b>		<b>39,956</b>

**NETHERLANDS 4.4%****Common Stocks 4.4%**

ASML Holding	17,556	3,653
Koninklijke Philips	104,046	4,524
NXP Semiconductors (USD)	49,626	4,844

<b>Total Netherlands</b>		
<b>(Cost \$8,884)</b>		<b>13,021</b>

**PERU 0.6%****Common Stocks 0.6%**

Credicorp (USD)	7,975	1,826
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<b>Total Peru</b>		
<b>(Cost \$1,465)</b>		<b>1,826</b>

**PHILIPPINES 0.4%****Common Stocks 0.4%**

SM Investments	57,270	1,083
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<b>Total Philippines</b>		
<b>(Cost \$932)</b>		<b>1,083</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>PORTUGAL 2.4%</b>		
<b>Common Stocks 2.4%</b>		
Galp Energia	242,016	3,722
Jeronimo Martins	210,411	3,392
<b>Total Portugal</b>		
<b>(Cost \$7,095)</b>		<b>7,114</b>
<b>SAUDI ARABIA 0.3%</b>		
<b>Common Stocks 0.3%</b>		
Al Rajhi Bank	46,032	855
<b>Total Saudi Arabia</b>		
<b>(Cost \$674)</b>		<b>855</b>
<b>SOUTH AFRICA 4.0%</b>		
<b>Common Stocks 4.0%</b>		
FirstRand	561,827	2,737
Naspers, N Shares	36,667	8,875
<b>Total South Africa</b>		
<b>(Cost \$9,912)</b>		<b>11,612</b>

**SOUTH KOREA 3.5%****Common Stocks 3.5%**

LG Household & Health Care	1,476	1,681
NAVER	35,624	3,521
Samsung Electronics	121,150	4,933

<b>Total South Korea</b>		
<b>(Cost \$7,792)</b>		<b>10,135</b>

**SPAIN 1.3%****Common Stocks 1.3%**

Amadeus IT Group, A Shares (2)	40,793	3,233
Grifols, ADR (USD)	26,127	551

<b>Total Spain</b>		
<b>(Cost \$1,872)</b>		<b>3,784</b>

**SWEDEN 2.6%****Common Stocks 2.6%**

Essity, B Shares (2)	197,881	6,087
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	Shares	\$ Value
(Cost and value in \$000s)		
Hexagon, B Shares (2)	30,016	1,669
<b>Total Sweden</b> <b>(Cost \$5,162)</b>		<b>7,756</b>
<b>SWITZERLAND 6.7%</b>		
<b>Common Stocks 6.7%</b>		
dormakaba Holding	2,003	1,453
Julius Baer Group (2)	55,035	2,452
Lonza Group	10,999	3,713
Nestle	53,464	5,535
Roche Holding	7,918	2,226
UBS Group	363,893	4,325
<b>Total Switzerland</b> <b>(Cost \$17,080)</b>		<b>19,704</b>
<b>TAIWAN 1.9%</b>		
<b>Common Stocks 1.9%</b>		
Largan Precision	6,000	749
Taiwan Semiconductor Manufacturing	614,000	4,696
<b>Total Taiwan</b> <b>(Cost \$2,402)</b>		<b>5,445</b>
<b>THAILAND 0.7%</b>		
<b>Common Stocks 0.7%</b>		
CP ALL	744,300	2,090
<b>Total Thailand</b> <b>(Cost \$796)</b>		<b>2,090</b>
<b>UNITED ARAB EMIRATES 0.8%</b>		
<b>Common Stocks 0.8%</b>		
First Abu Dhabi Bank	403,341	1,635
Network International Holdings (GBP)(1)	85,618	645
<b>Total United Arab Emirates</b> <b>(Cost \$1,686)</b>		<b>2,280</b>
<b>UNITED KINGDOM 7.0%</b>		
<b>Common Stocks 6.8%</b>		
British American Tobacco	120,401	4,204

	Shares	\$ Value
(Cost and value in \$000s)		
Burberry Group	47,645	1,129
ConvaTec Group	461,659	855
Farfetch, Class A (USD)(1)	60,900	1,267
LivaNova (USD)(1)	16,933	1,218
London Stock Exchange Group	36,423	2,538
Prudential	130,679	2,853
Reckitt Benckiser Group	25,657	2,026
Smith & Nephew	114,441	2,485
Vodafone Group	846,717	1,388
		19,963
<b>Convertible Preferred Stocks 0.2%</b>		
Roofoods, Series G		
Acquisition Date: 05/16/19		
Cost \$567 (USD)(1)(4)(5)	1,358	567
		567
<b>Total United Kingdom</b> <b>(Cost \$21,589)</b>		<b>20,530</b>
<b>UNITED STATES 5.0%</b>		
<b>Common Stocks 5.0%</b>		
Booking Holdings (1)	1,543	2,893
Linde (EUR)	16,749	3,364
Mastercard, Class A	14,000	3,703
Philip Morris International	28,315	2,224
Waste Connections	25,300	2,418
<b>Total United States</b> <b>(Cost \$8,114)</b>		<b>14,602</b>
<b>SHORT-TERM INVESTMENTS 3.3%</b>		
<b>MONEY MARKET FUNDS 3.3%</b>		
T. Rowe Price Government Reserve Fund,		
2.46% (7)(8)	9,602,663	9,603
<b>Total Short-Term Investments</b> <b>(Cost \$9,603)</b>		<b>9,603</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>SECURITIES LENDING COLLATERAL 0.9%</b>		
<b>Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.9%</b>		
<b>Short-Term Funds 0.9%</b>		
T. Rowe Price Short-Term Fund, 2.50% (7)(8)	252,367	2,524
<b>Total Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank</b>		<b>2,524</b>
<b>Total Securities Lending Collateral (Cost \$2,524)</b>		<b>2,524</b>
<b>Total Investments in Securities 100.5% of Net Assets (Cost \$230,140)</b>	<b>\$</b>	<b>294,913</b>

‡ 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) All or a portion of this security is pledged to cover or as collateral for written call options at June 30, 2019.
  - (3) All or a portion of this security is on loan at June 30, 2019. See Note 4.
  - (4) 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 \$1,168 and represents 0.4% of net assets.
  - (5) Level 3 in fair value hierarchy. See Note 2.
  - (6) Preferred stocks are shares that carry certain preferential rights. The dividend rate may not be consistent each pay period and could be zero for a particular year.
  - (7) Seven-day yield
  - (8) Affiliated Companies
- ADR American Depositary Receipts  
CHF Swiss Franc  
CNH Offshore China Renminbi  
EUR Euro  
GBP British Pound  
HKD Hong Kong Dollar  
JPY Japanese Yen  
SEK Swedish Krona  
USD U.S. Dollar

**OPTIONS WRITTEN (0.0%)****Exchange-Traded Options Written (0.0%)**

<b>Description</b>	<b>Contracts</b>	<b>Notional Amount</b>	<b>Value</b>
Airbus, Call, 8/16/19 @ 130.00 (EUR )	9	(112)	(2)
Amadeus IT Group, Call, 7/19/19 @ 74.00 (EUR )	18	(125)	—
Erste Group Bank, Call, 7/19/19 @ 34.00 (EUR )	80	(261)	(3)
Essity, Call, 7/19/19 @ 295.00 (SEK )	48	(1,371)	(2)
Essity, Call, 7/19/19 @ 300.00 (SEK )	47	(1,343)	(1)
Hexagon, Call, 7/19/19 @ 540.00 (SEK )	27	(1,394)	(1)
Julius Baer Group, Call, 7/19/19 @ 42.00 (CHF )	36	(157)	(7)
Ubisoft Entertainment, Call, 7/19/19 @ 74.00 (EUR )	18	(124)	(2)
Ubisoft Entertainment, Call, 8/16/19 @ 74.00 (EUR )	18	(124)	(4)
<b>Total Exchange-Traded Options Written (Premiums \$(37))</b>			<b>(22)</b>
<b>Total Options Written (Premiums \$(37))</b>			<b>(22)</b>

**Forward Currency Exchange Contracts**

(Amounts in 000s)

Counterparty	Settlement	Receive	Deliver	Unrealized Gain (Loss)
Citibank	7/16/19	USD	1,417 JPY	153,418 \$ (8)
<b>Net unrealized gain (loss) on open forward currency exchange contracts</b>				<b>\$ (8)</b>

**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, 2019. 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.

<b>Affiliate</b>	<b>Net Realized Gain (Loss)</b>	<b>Change in Net Unrealized Gain/Loss</b>	<b>Investment Income</b>
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 86
T. Rowe Price Short-Term Fund	—	—	— <sup>++</sup>
Totals	\$ — <sup>#</sup>	\$ —	\$ 86 <sup>+</sup>

**Supplementary Investment Schedule**

<b>Affiliate</b>	<b>Value 12/31/18</b>	<b>Purchase Cost</b>	<b>Sales Cost</b>	<b>Value 6/30/19</b>
T. Rowe Price Government Reserve Fund	\$ 1,822	□	□ \$	9,603
T. Rowe Price Short-Term Fund	7,613	□	□	2,524
			\$	12,127 <sup>^</sup>

# 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 as described in Note 4.

+ Investment income comprised \$86 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 \$12,127.

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

T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

June 30, 2019 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$230,140)	\$	294,913
Receivable for investment securities sold		1,083
Foreign currency (cost \$563)		562
Dividends receivable		409
Receivable for shares sold		8
Cash		1
Other assets		372
Total assets		<u>297,348</u>

**Liabilities**

Obligation to return securities lending collateral		2,524
Payable for investment securities purchased		725
Payable for shares redeemed		462
Investment management and administrative fees payable		281
Options written (premiums \$37)		22
Unrealized loss on forward currency exchange contracts		8
Total liabilities		<u>4,022</u>

**NET ASSETS**

**\$ 293,326**

**Net Assets Consist of:**

Total distributable earnings (loss)	\$	70,090
Paid-in capital applicable to 19,279,857 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>223,236</u>

**NET ASSETS**

**\$ 293,326**

**NET ASSET VALUE PER SHARE**

**\$ 15.21**

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



Unaudited

**STATEMENT OF OPERATIONS**

(\$000s)

6 Months  
Ended  
6/30/19**Investment Income (Loss)**

## Income

Dividend (net of foreign taxes of \$413)	\$ 4,487
Securities lending	29
Total income	4,516
Investment management and administrative expense	1,376
Net investment income	3,140

**Realized and Unrealized Gain / Loss**

## Net realized gain (loss)

Securities	5,511
Options written	19
Forward currency exchange contracts	(50)
Foreign currency transactions	9
Net realized gain	5,489

## Change in net unrealized gain / loss

Securities	35,932
Options written	15
Forward currency exchange contracts	44
Other assets and liabilities denominated in foreign currencies	(3)
Change in net unrealized gain / loss	35,988

## Net realized and unrealized gain / loss

	41,477
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**INCREASE IN NET ASSETS FROM OPERATIONS****\$ 44,617**

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

Unaudited

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 <sup>(1)</sup>
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 3,140	\$ 4,227
Net realized gain	5,489	25,835
Change in net unrealized gain / loss	35,988	(75,122)
Increase (decrease) in net assets from operations	44,617	(45,060)
Distributions to shareholders		
Net earnings	-	(33,799)
Decrease in net assets from distributions	-	(33,799)
Capital share transactions *		
Shares sold	12,076	17,045
Distributions reinvested	-	33,799
Shares redeemed	(34,574)	(83,537)
Decrease in net assets from capital share transactions	(22,498)	(32,693)
<b>Net Assets</b>		
Increase (decrease) during period	22,119	(111,552)
Beginning of period	271,207	382,759
<b>End of period</b>	<b>\$ 293,326</b>	<b>\$ 271,207</b>
 *Share information		
Shares sold	819	1,000
Distributions reinvested	-	2,586
Shares redeemed	(2,334)	(4,853)
Decrease in shares outstanding	(1,515)	(1,267)

<sup>(1)</sup>Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

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. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

**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. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. 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. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared and paid annually. 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 effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**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, 2019 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Common Stocks	\$ 40,104	\$ 240,956	\$ -	\$ 281,060
Convertible Preferred Stocks	-	-	1,168	1,168
Preferred Stocks	-	558	-	558
Short-Term Investments	9,603	-	-	9,603
Securities Lending Collateral	2,524	-	-	2,524
Total	\$ 52,231	\$ 241,514	\$ 1,168	\$ 294,913
<b>Liabilities</b>				
Options Written	\$ -	\$ 22	\$ -	\$ 22
Forward Currency Exchange Contracts	-	8	-	8
Total	\$ -	\$ 30	\$ -	\$ 30

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2019. 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, 2019, totaled \$14,000 for the six months ended June 30, 2019.

(\$000s)	Beginning Balance 1/1/19	Gain (Loss) During Period	Total Purchases	Ending Balance 6/30/19
Investment in Securities				
Convertible Preferred Stocks	\$ 587	\$ 14	\$ 567	\$ 1,168

**NOTE 3 - DERIVATIVE INSTRUMENTS**

During the six months ended June 30, 2019, 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, to enhance return, 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, 2019, 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
<b>Liabilities</b>		
Foreign exchange derivatives	Forwards	\$ 8
Equity derivatives	Options Written	22
Total		<u>\$ 30</u>

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2019, 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
<b>Realized Gain (Loss)</b>			
Foreign exchange derivatives	\$ -	\$ (50)	\$ (50)
Equity derivatives	19	-	19
Total	<u>\$ 19</u>	<u>\$ (50)</u>	<u>\$ (31)</u>
<b>Change in Unrealized Gain (Loss)</b>			
Foreign exchange derivatives	\$ -	\$ 44	\$ 44
Equity derivatives	15	-	15
Total	<u>\$ 15</u>	<u>\$ 44</u>	<u>\$ 59</u>

**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) may 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 below a specified rating 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, 2019, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of June 30, 2019, no margin 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 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, 2019, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally less than 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, 2019, 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 27% 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. 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, 2019, the value of loaned securities was \$1,224,000; the value of cash collateral and related investments was \$2,524,000.

**Other** Purchases and sales of portfolio securities other than short-term securities aggregated \$47,964,000 and \$74,525,000, respectively, for the six months ended June 30, 2019.

#### 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, 2019, the cost of investments for federal income tax purposes was \$233,657,000. Net unrealized gain aggregated \$61,206,000 at period-end, of which \$77,807,000 related to appreciated investments and \$16,601,000 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, 2019, the fund had no deferred tax liability attributable to foreign securities and \$1,045,000 of foreign capital loss carryforwards, including \$300,000 that expire in 2020, \$37,000 that expire in 2021, \$17,000 that expire in 2022, \$183,000 that expire in 2023, \$21,000 that expire in 2025, \$289,000 that expire in 2026, and \$198,000 that expire in 2027.

**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; expenses related to borrowing, taxes, and brokerage and other transaction costs; and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund. Effective July 1, 2018, T. Rowe Price has contractually agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's overall management fee rate to 0.95% of the fund's average daily net assets, through at least April 30, 2020. This contractual arrangement will renew automatically for one-year terms thereafter and may be terminated only with approval of the fund's Board. The fund has no obligation to repay fees reduced under this arrangement.

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, 2019, 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**

Effective for reporting periods on or after March 1, 2019, a fund, except a money market fund, files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, a fund, including a money market fund, filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A money market fund files detailed month-end portfolio holdings information on Form N-MFP with the SEC each month and posts a complete schedule of portfolio holdings on its website (troweprice.com) as of each month-end for the previous six months. A fund's Forms N-PORT, N-MFP and N-Q are available electronically on the SEC's website (sec.gov).

**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 11–12, 2019 (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, 2018, 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 an all-inclusive management fee, which is based on the fund's average daily net assets. However, the fund has a contractual limitation in place whereby the Advisor has agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's management fee rate to 0.95% of the fund's average daily net assets. Any fees waived under this management fee waiver agreement are not subject to reimbursement to the Advisor by the fund. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENT (CONTINUED)**

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 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 fourth quintile (Expense Group), the fund's actual management fee rate ranked in the fifth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the third quintile (Expense Group and 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 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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**T.RowePrice®**

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*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, 2019

T. ROWE PRICE

# Mid-Cap Growth Portfolio

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## HIGHLIGHTS

- Mid-cap growth stocks posted a double-digit gain in the first half of 2019, outpacing their value counterparts and small-cap shares.
- The Mid-Cap Growth Portfolio underperformed its benchmark in the period but maintained its outstanding long-term relative performance record against its peers.
- Health care and information technology companies comprised many of the top contributors, while detractors hailed from a variety of sectors.
- We observe eerie similarities between today's stock market and 1999's run-up to the height of the dot-com bubble. In response, we are leaning against current sentiment practices in the mid-cap growth sector, which has turned into an increasingly aggressive and technology-laden slice of the market.

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## Fellow Shareholders

Following a sharp sell-off in the final quarter of 2018, U.S. stocks executed one of the market's quickest rebounds in recent memory and recorded their best first-half performance since 1997. Driving the upswing was an unexpected policy shift by the Federal Reserve: After raising interest rates four times in 2018, the U.S. central bank began to backpedal in December on its plans for future rate hikes as the global growth outlook darkened and stock markets corrected. Unsurprisingly, investors interpreted the Fed's dovish turn as a green light for speculation and responded by flocking to high-sales growth companies without regard for profitability or valuations. Your portfolio participated in the first-half's momentum-driven rally but lagged its benchmark as we stuck with our fundamentals-based, valuation-sensitive approach and steered clear of many of the market's more speculative names.

### PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/19	Total Return
Mid-Cap Growth Portfolio	24.18%
Mid-Cap Growth Portfolio-II	24.00
Russell Midcap Growth Index	26.08
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	27.05

The Mid-Cap Growth Portfolio returned 24.18% in the six months ended June 30, 2019, versus 26.08% for the Russell Midcap Growth Index. The portfolio underperformed the 27.05% return of its peer group, the Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average. Over longer time periods, the portfolio remained favorably ranked relative to its competitors. (Based on cumulative total return, Lipper ranked the Mid-Cap Growth Portfolio 26 of 101, 54 of 98, 13 of 96, 8 of 88, and 2 of 19 funds in the Variable Annuity Underlying Mid-Cap Growth Funds category for the 1-, 3-, 5-, and 10-year and since month-end after inception periods ended June 30, 2019, respectively. Returns for the Mid-Cap Growth Portfolio-II may vary slightly due to a different fee structure. *Past performance cannot guarantee future results.*)

## MARKET ENVIRONMENT

The U.S. central bank's pivot toward looser monetary policy and hopes for a trade deal with China provided powerful tailwinds for the U.S. stock market, allaying two sources of worry that derailed financial markets in late 2018. After projecting more interest rate hikes in 2019 as recently as December, the Fed signaled after its January policy meeting that it had shifted to a prolonged rate pause, and then indicated in March that it would not likely raise rates this year—sending stocks sharply higher after each pronouncement. Given the U.S. economy's resilience, the Fed's policy U-turn reinforced the

unsettling notion that the nominally independent central bank had capitulated to market volatility or political pressure from President Trump to keep rates low.

Though some economic indicators weakened in the spring, other data showed that the U.S. economy remained on firm footing. Inflation remained below the Fed's 2% target and wages picked up, albeit at a subdued pace. Hiring remained robust, and the U.S. jobless rate hovered close to a 50-year low. Regardless of what drove the Fed's policy shift, investors responded to the prospect of low rates by gravitating to high-sales growth companies without regard for profitability or valuations—continuing a trend of speculative behavior that we have observed for the past several years.

Evidence of slowing global growth that emerged in late 2018 and the trade battle with China remained major sources of investor anxiety. Expectations for a U.S.-China trade accord rose as both countries appeared to inch closer to an agreement throughout the spring, fueling the stock market's first-quarter gains. While negotiations unexpectedly broke down in May, leading the U.S. and China to increase tariffs on each other's goods, stocks resumed their climb toward record levels in June amid renewed hopes of a détente after President Trump tweeted that he would meet with China's president at the G-20 summit. Investor sentiment was further buoyed days later when Fed Chair Jerome Powell said that “the case for somewhat more accommodative policy has strengthened,” cementing expectations for a rate cut in the near term.

### GROWTH VS. VALUE

Periods Ended 6/30/19	6 Months	12 Months	3 Years	5 Years
Russell Midcap Growth Index	26.08%	13.94%	58.06%	69.30%
Russell Midcap Value Index	18.02	3.68	29.32	38.42

Cumulative returns.

The risk-oblivious atmosphere on Wall Street was reflected in the striking outperformance of mid-cap growth stocks in the first half of the year. Year-to-date, growth stocks outpaced their value counterparts, extending a multiyear trend. Within the growth stock universe, mid-cap stocks had a particularly strong run, outpacing their small- and large-cap peers.

The consistent outperformance of mid-cap growth stocks reflects the technology-heavy composition of the sector, including several so-called unicorn startups valued at over \$1 billion. The addition of these newly minted, highflying companies—many of which have yet to turn a profit—has turned our benchmark into an aggressive, technology-oriented index over a relatively brief period: Information technology

accounted for nearly 33% of the Russell Midcap Growth Index at the end of June, more than the next two largest sectors combined and up from roughly 18% three years ago.

## PORTFOLIO REVIEW

Unlike many growth investors who have gravitated to the fastest-growing companies, we remained cautious and continued to pare our positions in highflying stocks as we found their valuations increasingly difficult to justify based on their fundamentals. Our hesitation at fully embracing the market exuberance weighed on the portfolio's relative performance as a result. Nevertheless, we believe that caution is warranted as signs of market excess have grown more pronounced this year, reinforcing our view that current conditions could lead to increasingly severe consequences the longer they persist.

Nearly all your portfolio's top contributors in the first half of 2019 were companies we have owned for many years, reflecting our long-term investment philosophy. Many were health care holdings. **Teleflex**, a medical technology company we have owned since 2013, was a top contributor as it continued to deliver solid organic growth and reaps the benefits of a years-long transition from a diversified industrial company to one focused solely on medical devices. **Bruker**, a holding since 2010, boosted returns after the scientific instrument maker reported strong earnings and raised its full-year forecast in May. We have long posited that Bruker—originally a family-run business that until recently wasn't overly focused on improving profits—was underearning its long-term potential, and we are pleased that management's efforts to increase profitability and cash flow in recent years are finally bearing fruit. Other large contributors included contact lens maker **Cooper Companies** (held since 2011), whose shares rose following a string of solid earnings reports, and contract drug manufacturer **Catalent** (held since its initial public offering (IPO) in 2014). (Please refer to the portfolio of investments for a complete list of our holdings and the amount each represents in the portfolio.)

The information technology sector also added value, aided by our position in **Keysight Technologies**, a leading electronic test and measurement equipment manufacturer. Since splitting from **Agilent Technologies** in 2014, Keysight has stepped up its investment in research and development to capitalize on the shift to 5G networks and other industry growth drivers, a strategy that has paid off well. **Worldpay** was also a strong contributor after Fidelity National Information Services agreed to buy the payment processing company at a sizable premium. We reduced our positions in Worldpay and Keysight after their strong performances, but Keysight remains a core holding. In other sectors, **Ball** was the top contributor as the aluminum packaging products maker continued to benefit from several trends, including growing demand for recyclable cans over less sustainable options; higher-margin specialty cans; and new

beverage categories, such as wine and coffee, that are now sold in cans.

## SECTOR DIVERSIFICATION

	Percent of Net Assets	
	12/31/18	6/30/19
Information Technology	21.2%	19.8%
Health Care	15.8	18.7
Industrials and Business Services	19.6	18.3
Consumer Discretionary	14.3	14.2
Financials	8.7	7.7
Materials	6.0	6.4
Energy	2.1	2.9
Consumer Staples	3.0	2.5
Utilities	1.2	1.8
Communication Services	1.8	1.5
Real Estate	0.6	0.4
Other and Reserves	5.7	5.8
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Historical weightings reflect current industry/sector classifications.

Our top detractors spanned a variety of sectors. **Amneal Pharmaceuticals** was the biggest detractor as the generic drugmaker's shares fell sharply, reflecting heightened competition and significantly diminished prospects. In the consumer staples sector, our holdings in supermarket chains **Sprouts Farmers Market** and **Kroger** detracted from returns as each grappled with an increasingly competitive food retail environment, weakening consumer sentiment, and, in Sprouts' case, a high level of management turnover. **J.B. Hunt Transport Services** weighed on performance as the trucking and logistics company experienced lower volumes in its intermodal business. We believe J.B. Hunt is a superior operator in a tough and cyclical business and exemplifies the type of steady-growth, reasonably valued industrial company we have long favored in your portfolio. We took advantage of its share price weakness to add to our holding.

## INVESTMENT STRATEGY AND OUTLOOK

For the past several years, we have repeatedly stated our concerns about the Fed's role in driving stock prices to unsustainable levels by keeping interest rates abnormally low. The Fed's four rate hikes in 2018 had offered hope that the central bank was at last reverting to a normalized monetary policy, which would help drain away the excess liquidity that has inflated asset prices in recent years. The Fed's dovish pivot this year has prolonged the party on Wall Street and effectively granted a reprieve to the many subpar companies that have grown dependent on nearly cost-free financing over the past decade. Many fast-growing companies with flawed business models or uncertain profit-making prospects have

been rewarded by investors, putting off the inevitable market correction that we believe is long overdue.

We are struck by how the Fed's monetary promiscuity has recently bled into the realm of fiscal policy in the form of modern monetary theory (MMT). Once dismissed as a fringe economic concept, MMT has recently gained traction among academics and politicians who argue that deficits don't matter for countries that can borrow in their own currency, a key MMT tenet. Though we and most other mainstream investors view MMT as a fundamentally flawed construct, the prospect of U.S. government deficits exceeding \$1 trillion a year now seems perfectly acceptable among politicians of both parties. The Fed's continued suppression of interest rates at a time of economic strength and the specter of a return to trillion-dollar deficits are troubling signs of how far monetary and fiscal policy have drifted from established norms.

The last eighteen months have been very frustrating for us as investors. Momentum, particularly price momentum, has been the dominant factor driving stocks in some new economy sectors, such as software. In other words, stocks that go up continue to go up, regardless of valuation.

Value investing is now considered obsolete by many, and some disconsolate value investors have become closet growth enthusiasts. Contrarians might suggest a regime change is near.

In many ways, 2019 feels like an echo of 1999, the crescendo of the internet bubble exactly twenty years ago. While many of today's highflying stocks are more serious businesses compared with their 1999 predecessors, their valuations have often become detached from reality. Twenty years ago, many of the disrupters crashed in the subsequent bear market. The "pretenders" disappeared entirely. Though some of today's dominant companies such as Amazon, eBay, and Priceline.com (renamed Booking Holdings) emerged from the ashes, it's easy to forget that many companies lost as much as 90% of their value in the bust.

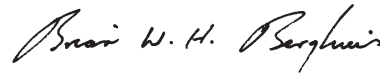
In 1999, investors bid up shares of fiber-based companies to unsustainable levels; today, we see similar (if not as extreme) behavior focused on cloud-based companies. There is a growing acceptance of alternative valuation methodologies, such as price-to-sales, a construct borrowed from the venture capital world. Since profitability is not part of this equation, it is becoming increasingly ignored by many investors. Moreover, what is considered a reasonable price-to-sales ratio has significantly increased and is often based on projections far into the future. Visionary, yes, but hazardous as many of the assumptions are aggressive and dependent on almost perfect conditions.

Many companies in the current and pending IPO class are unprofitable businesses that defy traditional valuation metrics. As of mid-2019, valuations of the unicorn highfliers are very high but are nowhere near the extremes of 1999. Among the growing list of 2019 IPOs, some will ultimately become large companies and others will disappear. But all seem very richly valued here.

The combination of subdued global growth, a submissive Fed, and risk-oblivious investors means that the market's current exuberance may well continue in the near term. The Fed and other global central banks are now assumed to have omnipotent powers, thanks to their role in driving asset prices higher over the past decade. We are not sure what will change this paradigm. However, we know from experience that the world is cyclical and that bear markets and economic cycles have not yet been eradicated.

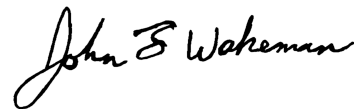
Relative to the very aggressive mid-cap growth sector, we are leaning against current sentiment and investing practice. Time will tell whether our investing experience, which spans 38 years, is merely intellectual baggage or will end up rewarding our shareholders with solid returns over the long term.

Respectfully submitted,



Brian W.H. Berghuis

*Chairman of the portfolio's Investment Advisory Committee*



John F. Wakeman

*Executive vice president of the portfolio*

July 26, 2019

*The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the fund's investment program.*

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**

	<b>Percent of Net Assets 6/30/19</b>
Teleflex	2.4%
Cooper Companies	2.2
Ball	1.9
Hologic	1.8
Harris	1.7
Textron	1.6
Agilent Technologies	1.5
Microchip Technology	1.5
IAC/InterActiveCorp	1.5
Keysight Technologies	1.5
Willis Towers Watson	1.4
Workday	1.4
Bruker	1.4
Roper Technologies	1.4
Norwegian Cruise Line Holdings	1.3
Catalent	1.3
IDEX	1.3
Dollar General	1.3
Concho Resources	1.2
Sensata Technologies Holding	1.2
TD Ameritrade Holding	1.2
MGM Resorts International	1.1
FleetCor Technologies	1.1
Verisk Analytics	1.1
FNF	1.1
<b>Total</b>	<b>36.4%</b>

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 6/30/19

**BEST CONTRIBUTORS**

Ball	19¢
Worldpay	18
Harris	17
Bruker	17
Keysight Technologies	17
Teleflex	16
Cooper Companies	16
Catalent	16
IDEX	11
Roper Technologies	11
<b>Total</b>	<b>158¢</b>

**WORST CONTRIBUTORS**

Amneal Pharmaceuticals	-4¢
Alkermes	-4
Sprouts Farmers Market	-2
Kroger	-2
J.B. Hunt Transport Services	-2
Tapestry	-2
Centennial Resource Development	-2
MEDNAX	-1
Michaels	-1
Maxar Technologies* *	-1
<b>Total</b>	<b>-21¢</b>

12 Months Ended 6/30/19

**BEST CONTRIBUTORS**

Ball	30¢
Cooper Companies	21
Keysight Technologies	20
Workday	19
Bruker	18
Worldpay	16
Atlassian	16
Harris	15
Teleflex	15
Xilinx	15
<b>Total</b>	<b>185¢</b>

**WORST CONTRIBUTORS**

Tapestry	-15¢
Textron	-12
Alkermes	-10
Amneal Pharmaceuticals*	-9
Concho Resources	-7
Visteon*	-5
CoreLogic	-5
Maxar Technologies* *	-5
Centennial Resource Development	-5
Perrigo*	-4
<b>Total</b>	<b>-77¢</b>

\* Position added.

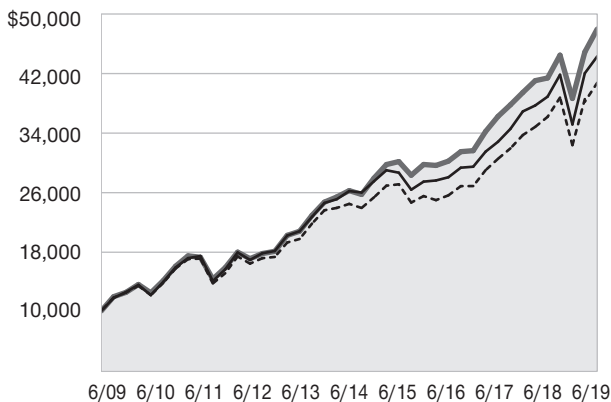
\* \* Position eliminated.



## 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 6/30/19

— Mid-Cap Growth Portfolio	\$47,871
- - - Russell Midcap Growth Index	44,200
... Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	41,003

Note: Performance for the II Class will vary due to its differing fee structure. See the Average Annual Compound Total Return table.

## AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/19	1 Year	5 Years	10 Years
Mid-Cap Growth Portfolio	15.91%	12.84%	16.95%
Mid-Cap Growth Portfolio-II	15.61	12.55	16.65

*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)**

<b>MID-CAP GROWTH PORTFOLIO</b>			
	<b>Beginning Account Value 1/1/19</b>	<b>Ending Account Value 6/30/19</b>	<b>Expenses Paid During Period* 1/1/19 to 6/30/19</b>
<b>Mid-Cap Growth Portfolio</b>			
Actual	\$1,000.00	\$1,241.80	\$4.67
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.63	4.21
<b>Mid-Cap Growth Portfolio-II</b>			
Actual	1,000.00	1,240.00	6.05
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.39	5.46

\* 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 0.84%, and the Mid-Cap Growth Portfolio-II was 1.09%.



T. ROWE PRICE MID-CAP GROWTH PORTFOLIO

Unaudited

**FINANCIAL HIGHLIGHTS**

For a share outstanding throughout each period

**Mid-Cap Growth Class**

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 23.70	\$ 28.25	\$ 25.57	\$ 25.70	\$ 27.88	\$ 27.70
Investment activities						
Net investment income (loss) <sup>(1) (2)</sup>	0.02	0.01	(0.04)	(0.03)	(0.05)	(0.07)
Net realized and unrealized gain / loss	5.71	(0.54)	6.39	1.66	1.85	3.62
Total from investment activities	5.73	(0.53)	6.35	1.63	1.80	3.55
Distributions						
Net realized gain	-	(4.02)	(3.67)	(1.76)	(3.98)	(3.37)
<b>NET ASSET VALUE</b>						
End of period	\$ 29.43	\$ 23.70	\$ 28.25	\$ 25.57	\$ 25.70	\$ 27.88

**Ratios/Supplemental Data**

<b>Total return<sup>(2) (3)</sup></b>	<b>24.18%</b>	<b>(2.03)%</b>	<b>24.77%</b>	<b>6.26%</b>	<b>6.56%</b>	<b>13.12%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	0.84% <sup>(4)</sup>	0.85%	0.85%	0.85%	0.85%	0.85%
Net expenses after waivers/payments by Price Associates	0.84% <sup>(4)</sup>	0.85%	0.85%	0.85%	0.85%	0.85%
Net investment income (loss)	0.13% <sup>(4)</sup>	0.05%	(0.13)%	(0.11)%	(0.18)%	(0.25)%
Portfolio turnover rate	12.4%	24.6%	24.7%	28.9%	29.4%	26.1%
Net assets, end of period (in thousands)	\$ 459,052	\$ 379,884	\$ 411,412	\$ 353,074	\$ 350,626	\$ 356,083

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 5 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(4)</sup> Annualized

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

T. ROWE PRICE MID-CAP GROWTH PORTFOLIO

Unaudited

**FINANCIAL HIGHLIGHTS**

For a share outstanding throughout each period

**Mid-Cap Growth - II Class**

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 22.58	\$ 27.11	\$ 24.65	\$ 24.85	\$ 27.08	\$ 26.99
Investment activities						
Net investment loss <sup>(1) (2)</sup>	(0.02)	(0.06)	(0.11)	(0.09)	(0.12)	(0.14)
Net realized and unrealized gain / loss	5.44	(0.52)	6.15	1.61	1.79	3.52
Total from investment activities	5.42	(0.58)	6.04	1.52	1.67	3.38
Distributions						
Net realized gain	–	(3.95)	(3.58)	(1.72)	(3.90)	(3.29)
<b>NET ASSET VALUE</b>						
End of period	\$ 28.00	\$ 22.58	\$ 27.11	\$ 24.65	\$ 24.85	\$ 27.08

**Ratios/Supplemental Data**

<b>Total return<sup>(2) (3)</sup></b>	<b>24.00%</b>	<b>(2.30)%</b>	<b>24.44%</b>	<b>6.03%</b>	<b>6.27%</b>	<b>12.82%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/payments by Price Associates	1.09% <sup>(4)</sup>	1.10%	1.10%	1.10%	1.10%	1.10%
Net expenses after waivers/payments by Price Associates	1.09% <sup>(4)</sup>	1.10%	1.10%	1.10%	1.10%	1.10%
Net investment loss	(0.12)% <sup>(4)</sup>	(0.20)%	(0.38)%	(0.36)%	(0.43)%	(0.50)%
Portfolio turnover rate	12.4%	24.6%	24.7%	28.9%	29.4%	26.1%
Net assets, end of period (in thousands)	\$ 53,846	\$ 44,782	\$ 52,926	\$ 54,691	\$ 52,528	\$ 68,497

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 5 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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 and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.

<sup>(4)</sup> Annualized

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

T. ROWE PRICE MID-CAP GROWTH PORTFOLIO

June 30, 2019 (Unaudited)

PORTFOLIO OF INVESTMENTS†	Shares	\$ Value
(Cost and value in \$000s)		
<b>COMMON STOCKS 93.6%</b>		
<b>Communication Services 1.5%</b>		
<b>Interactive Media &amp; Services 1.5%</b>		
IAC/InterActiveCorp (1)	35,000	7,614
Total Communication Services		7,614
<b>Consumer Discretionary 14.0%</b>		
<b>Auto Components 1.2%</b>		
Aptiv	59,000	4,769
Visteon (1)	21,000	1,230
		5,999
<b>Diversified Consumer Services 0.6%</b>		
ServiceMaster Global Holdings (1)	60,000	3,125
		3,125
<b>Hotels, Restaurants &amp; Leisure 5.9%</b>		
Aramark	41,000	1,478
Darden Restaurants	13,000	1,583
Dunkin' Brands Group	38,000	3,027
Hilton Worldwide Holdings	38,000	3,714
Marriott International, Class A	23,000	3,227
MGM Resorts International	205,000	5,857
Norwegian Cruise Line Holdings (1)	128,000	6,865
Vail Resorts	19,000	4,240
		29,991
<b>Internet &amp; Direct Marketing Retail 0.1%</b>		
Chewy, Class A (1)	17,368	608
		608
<b>Multiline Retail 2.1%</b>		
Dollar General	48,000	6,487
Dollar Tree (1)	41,000	4,403
		10,890
<b>Specialty Retail 2.7%</b>		
Burlington Stores (1)	30,000	5,105
CarMax (1)	23,000	1,997
Michaels (1)	46,000	400

	Shares	\$ Value
(Cost and value in \$000s)		
O'Reilly Automotive (1)	8,000	2,955
Tiffany	10,000	936
Ulta Beauty (1)	7,000	2,428
		13,821
<b>Textiles, Apparel &amp; Luxury Goods 1.4%</b>		
Levi Strauss, Class A (1)	35,000	731
Tapestry	151,000	4,791
VF	19,000	1,660
		7,182
Total Consumer Discretionary		71,616
<b>Consumer Staples 2.5%</b>		
<b>Food &amp; Staples Retailing 1.5%</b>		
Casey's General Stores	29,000	4,524
Kroger	60,000	1,302
Sprouts Farmers Market (1)	90,000	1,700
		7,526
<b>Food Products 1.0%</b>		
Conagra Brands	91,000	2,414
TreeHouse Foods (1)	52,000	2,813
		5,227
Total Consumer Staples		12,753
<b>Energy 2.9%</b>		
<b>Oil, Gas &amp; Consumable Fuels 2.9%</b>		
Cabot Oil & Gas	91,000	2,089
Centennial Resource Development, Class A (1)	63,366	481
Concho Resources	61,000	6,294
Continental Resources (1)	45,000	1,894
Pioneer Natural Resources	22,000	3,385
Venture Global, Series B, Acquisition Date: 3/8/18, Cost \$60 (1)(2)(3)	20	104
Venture Global, Series C, Acquisition Date: 10/16/17 - 3/8/18, Cost \$511 (1)(2)(3)	139	723
Total Energy		14,970

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Financials 7.7%</b>		
<b>Banks 0.7%</b>		
Fifth Third Bancorp	75,000	2,092
Webster Financial	27,000	1,290
		3,382
<b>Capital Markets 3.1%</b>		
Cboe Global Markets	38,000	3,938
KKR, Class A	108,000	2,729
MarketAxess Holdings	6,000	1,928
TD Ameritrade Holding	125,000	6,240
Tradeweb Markets, Class A	28,111	1,232
		16,067
<b>Consumer Finance 0.2%</b>		
SLM	102,000	992
		992
<b>Insurance 3.7%</b>		
Assurant	30,000	3,191
Axis Capital Holdings	29,000	1,730
Fidelity National Financial	136,000	5,481
Progressive	19,000	1,519
Willis Towers Watson	38,000	7,278
		19,199
Total Financials		39,640
<b>Health Care 18.7%</b>		
<b>Biotechnology 2.3%</b>		
Alkermes (1)	96,333	2,171
Alnylam Pharmaceuticals (1)	17,000	1,233
Argenx, ADR (1)	8,000	1,133
Ascendis Pharma, ADR (1)	4,500	518
Incyte (1)	27,000	2,294
Sage Therapeutics (1)	8,000	1,465
Sarepta Therapeutics (1)	4,000	608
Seattle Genetics (1)	30,000	2,076
		11,498
<b>Health Care Equipment &amp; Supplies 8.7%</b>		
Alcon (1)	36,000	2,234

	Shares	\$ Value
(Cost and value in \$000s)		
Cooper	33,000	11,117
Exact Sciences (1)	21,000	2,479
Hologic (1)	193,000	9,268
ICU Medical (1)	11,000	2,771
IDEXX Laboratories (1)	6,000	1,652
Teleflex	37,000	12,253
West Pharmaceutical Services	23,000	2,878
		44,652
<b>Health Care Providers &amp; Services 0.6%</b>		
Acadia Healthcare (1)	72,000	2,516
MEDNAX (1)	30,000	757
		3,273
<b>Health Care Technology 0.2%</b>		
Veeva Systems, Class A (1)	5,000	811
		811
<b>Life Sciences Tools &amp; Services 4.1%</b>		
Agilent Technologies	106,000	7,915
Avantor (1)	177,000	3,379
Bruker	142,000	7,093
PRA Health Sciences (1)	27,781	2,754
		21,141
<b>Pharmaceuticals 2.8%</b>		
Amneal Pharmaceuticals (1)	113,000	810
Catalent (1)	121,000	6,560
Elanco Animal Health (1)	121,000	4,090
Perrigo	65,000	3,095
		14,555
Total Health Care		95,930
<b>Industrials &amp; Business Services 18.3%</b>		
<b>Aerospace &amp; Defense 4.1%</b>		
BWX Technologies	48,000	2,501
Harris	45,000	8,511
L3 Technologies	8,000	1,961
Textron	156,000	8,274
		21,247
<b>Airlines 0.8%</b>		
Alaska Air Group	23,000	1,470

	Shares	\$ Value
(Cost and value in \$000s)		
United Airlines Holdings (1)	30,000	2,627
		4,097
<b>Building Products 0.3%</b>		
Allegion	12,000	1,327
		1,327
<b>Commercial Services &amp; Supplies 0.9%</b>		
frontdoor (1)	2,000	87
IAA (1)	20,456	793
KAR Auction Services	39,728	993
Waste Connections	29,000	2,772
		4,645
<b>Electrical Equipment 1.2%</b>		
Sensata Technologies Holding (1)	128,000	6,272
		6,272
<b>Industrial Conglomerates 1.4%</b>		
Roper Technologies	19,000	6,959
		6,959
<b>Machinery 4.9%</b>		
Colfax (1)	118,000	3,308
Fortive	65,000	5,299
Gardner Denver Holdings (1)	152,000	5,259
IDEX	38,000	6,541
Xylem	57,000	4,767
		25,174
<b>Professional Services 3.9%</b>		
CoStar Group (1)	8,000	4,432
Equifax	12,000	1,623
IHS Markit (1)	56,000	3,568
TransUnion	64,000	4,705
Verisk Analytics	38,000	5,566
		19,894
<b>Road &amp; Rail 0.8%</b>		
JB Hunt Transport Services	42,000	3,839
Kansas City Southern	3,536	431
		4,270
Total Industrials & Business Services		93,885

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Information Technology 19.8%</b>		
<b>Electronic Equipment, Instruments &amp; Components 2.8%</b>		
Cognex	9,000	432
Corning	151,000	5,018
Keysight Technologies (1)	83,000	7,454
National Instruments	35,000	1,470
		14,374
<b>IT Services 6.7%</b>		
Black Knight (1)	45,000	2,707
CoreLogic (1)	93,000	3,890
Fidelity National Information Services	15,000	1,840
Fiserv (1)	60,000	5,470
FleetCor Technologies (1)	20,000	5,617
Gartner (1)	15,000	2,414
Global Payments	19,000	3,043
Shopify, Class A (1)	3,000	900
Total System Services	30,000	3,848
Worldpay, Class A (1)	38,000	4,657
		34,386
<b>Semiconductors &amp; Semiconductor Equipment 4.8%</b>		
Entegris	42,000	1,567
Marvell Technology Group	208,000	4,965
Maxim Integrated Products	57,000	3,410
Microchip Technology	91,000	7,890
Skyworks Solutions	38,000	2,936
Xilinx	34,000	4,009
		24,777
<b>Software 5.5%</b>		
Atlassian, Class A (1)	29,000	3,794
Ceridian HCM Holding (1)	42,000	2,108
CrowdStrike Holdings, Class A (1)	5,354	366
DocuSign (1)	49,000	2,436
Slack Technologies, Class A (1)	27,064	1,015
Splunk (1)	23,000	2,892
SS&C Technologies Holdings	33,000	1,901
Symantec	144,000	3,134

	Shares	\$ Value
(Cost and value in \$000s)		
Tableau Software, Class A (1)	19,193	3,186
Workday, Class A (1)	35,000	7,195
Zoom Video Communications, Class A (1)	1,302	116
		28,143
Total Information Technology		101,680
<b>Materials 6.4%</b>		
<b>Chemicals 1.9%</b>		
Air Products & Chemicals	19,000	4,301
RPM International	64,000	3,911
Valvoline	86,000	1,680
		9,892
<b>Construction Materials 0.5%</b>		
Martin Marietta Materials	11,000	2,531
		2,531
<b>Containers &amp; Packaging 3.2%</b>		
Avery Dennison	27,000	3,123
Ball	140,000	9,799
Sealed Air	75,000	3,208
		16,130
<b>Metals &amp; Mining 0.8%</b>		
Franco-Nevada	30,000	2,547
Kirkland Lake Gold	36,000	1,545
		4,092
Total Materials		32,645
<b>Real Estate 0.0%</b>		
<b>Real Estate Management &amp; Development 0.0%</b>		
WeWork, Class A, Acquisition Date: 5/26/15, Cost \$54 (1)(2)(3)	3,835	207
Total Real Estate		207
<b>Utilities 1.8%</b>		
<b>Electric Utilities 0.5%</b>		
Eversource Energy	29,465	2,232
		2,232

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Gas Utilities 0.3%</b>		
Atmos Energy	16,000	1,689
		1,689
<b>Multi-Utilities 1.0%</b>		
Sempra Energy	38,000	5,223
		5,223
Total Utilities		9,144
<b>Total Common Stocks (Cost \$290,226)</b>		<b>480,084</b>
<b>Convertible Preferred Stocks 0.6%</b>		
<b>Consumer Discretionary 0.2%</b>		
<b>Internet &amp; Direct Marketing Retail 0.2%</b>		
Roofoods, Series F, Acquisition Date: 9/12/17, Cost \$662 (1)(2)(3)	1,871	727
Roofoods, Series G, Acquisition Date: 5/16/19, Cost \$21 (1)(2)(3)	51	21
Total Consumer Discretionary		748
<b>Real Estate 0.4%</b>		
<b>Real Estate Management &amp; Development 0.4%</b>		
WeWork, Series D-1, Acquisition Date: 12/9/14, Cost \$362 (1)(2)(3)	21,721	1,173
WeWork, Series D-2, Acquisition Date: 12/9/14, Cost \$284 (1)(2)(3)	17,066	922
Total Real Estate		2,095
<b>Total Convertible Preferred Stocks (Cost \$1,329)</b>		<b>2,843</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>SHORT-TERM INVESTMENTS 6.0%</b>		
<b>Money Market Funds 6.0%</b>		
T. Rowe Price Treasury Reserve		
Fund, 2.44% (4)(5)	30,966,000	30,966
<b>Total Short-Term Investments</b>		
<b>(Cost \$30,966)</b>		<b>30,966</b>

**Total Investments in Securities**

**100.2% of Net Assets (Cost \$322,521)                      \$      513,893**

- ‡ Shares are denominated in U.S. dollars unless otherwise noted.
- (1) Non-income producing
- (2) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to \$3,877 and represents 0.8% of net assets.
- (3) Level 3 in fair value hierarchy. See Note 2.
- (4) Seven-day yield
- (5) Affiliated Companies
- ADR American Depositary Receipts

**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, 2019. 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.

<b>Affiliate</b>	<b>Net Realized Gain (Loss)</b>	<b>Change in Net Unrealized Gain/Loss</b>	<b>Investment Income</b>
T. Rowe Price Treasury Reserve Fund	\$ —	\$ —	\$ 320
T. Rowe Price Short-Term Fund	—	—	— <sup>++</sup>
	<u>\$ —<sup>#</sup></u>	<u>\$ —</u>	<u>\$ 320<sup>+</sup></u>

**Supplementary Investment Schedule**

<b>Affiliate</b>	<b>Value 12/31/18</b>	<b>Purchase Cost</b>	<b>Sales Cost</b>	<b>Value 6/30/19</b>
T. Rowe Price Treasury Reserve Fund	\$ 26,785	□	□	\$ 30,966
T. Rowe Price Short-Term Fund	—	□	□	—
			<u>\$</u>	<u>30,966<sup>^</sup></u>

# 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 as described in Note 3.

+ Investment income comprised \$320 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 \$30,966.

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



T. ROWE PRICE MID-CAP GROWTH PORTFOLIO

June 30, 2019 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$322,521)	\$	513,893
Receivable for investment securities sold		600
Dividends receivable		180
Receivable for shares sold		33
Cash		4
Other assets		1
Total assets		<u>514,711</u>

**Liabilities**

Payable for investment securities purchased		1,085
Investment management and administrative fees payable		416
Payable for shares redeemed		312
Total liabilities		<u>1,813</u>

<b>NET ASSETS</b>	<b>\$</b>	<b><u>512,898</u></b>
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**Net Assets Consist of:**

Total distributable earnings (loss)	\$	215,071
Paid-in capital applicable to 17,521,605 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>297,827</u>

<b>NET ASSETS</b>	<b>\$</b>	<b><u>512,898</u></b>
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**NET ASSET VALUE PER SHARE**

<b>Mid-Cap Growth Class</b> <b>(\$459,052,215 / 15,598,757 shares outstanding)</b>	<b>\$</b>	<b><u>29.43</u></b>
<b>Mid-Cap Growth - II Class</b> <b>(\$53,846,024 / 1,922,848 shares outstanding)</b>	<b>\$</b>	<b><u>28.00</u></b>

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

Unaudited

**STATEMENT OF OPERATIONS**

(\$000s)

	6 Months Ended 6/30/19
<b>Investment Income (Loss)</b>	
Income	
Dividend	\$ 2,317
Securities lending	7
Total income	2,324
Expenses	
Investment management and administrative expense	2,009
Rule 12b-1 fees - Mid-Cap Growth - II Class	63
Total expenses	2,072
Net investment income	252
<b>Realized and Unrealized Gain / Loss</b>	
Net realized gain on securities	23,019
Change in net unrealized gain/loss on securities	78,337
Net realized and unrealized gain / loss	101,356
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 101,608</b>

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

Unaudited

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 <sup>(1)</sup>
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 252	\$ 95
Net realized gain	23,019	57,962
Change in net unrealized gain / loss	78,337	(65,505)
Increase (decrease) in net assets from operations	101,608	(7,448)
Distributions to shareholders		
Net earnings		
Mid-Cap Growth Class	-	(55,449)
Mid-Cap Growth - II Class	-	(6,758)
Decrease in net assets from distributions	-	(62,207)
Capital share transactions*		
Shares sold		
Mid-Cap Growth Class	13,434	23,284
Mid-Cap Growth - II Class	3,694	6,532
Distributions reinvested		
Mid-Cap Growth Class	-	55,449
Mid-Cap Growth - II Class	-	6,758
Shares redeemed		
Mid-Cap Growth Class	(25,259)	(48,163)
Mid-Cap Growth - II Class	(5,245)	(13,877)
Increase (decrease) in net assets from capital share transactions	(13,376)	29,983
<b>Net Assets</b>		
Increase (decrease) during period	88,232	(39,672)
Beginning of period	424,666	464,338
<b>End of period</b>	<b>\$ 512,898</b>	<b>\$ 424,666</b>

## \*Share information

Shares sold		
Mid-Cap Growth Class	498	781
Mid-Cap Growth - II Class	144	238
Distributions reinvested		
Mid-Cap Growth Class	-	2,314
Mid-Cap Growth - II Class	-	296
Shares redeemed		
Mid-Cap Growth Class	(928)	(1,627)
Mid-Cap Growth - II Class	(204)	(503)
Increase (decrease) in shares outstanding	(490)	1,499

<sup>(1)</sup> Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

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 are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks to provide long-term capital appreciation by investing in mid-cap stocks with potential for above-average earnings growth. The fund has two classes of shares: the Mid-Cap Growth Portfolio (Mid-Cap Growth Class) and the Mid-Cap Growth Portfolio–II (Mid-Cap Growth–II Class). Mid-Cap Growth–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation** The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

**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. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. 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. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared and paid by each class annually. 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 effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**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. Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

**Valuation Inputs** The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2019 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Common Stocks	\$ 479,050	\$ –	\$ 1,034	\$ 480,084
Convertible Preferred Stocks	–	–	2,843	2,843
Short-Term Investments	30,966	–	–	30,966
Total	\$ 510,016	\$ –	\$ 3,877	\$ 513,893

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2019. 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, 2019, totaled \$(300,000) for the six months ended June 30, 2019. During the six months, transfers out of Level 3 were because observable market data became available for the security. Additionally, during the period, transfers out of Level 3 include the impact of securities acquired through a corporate action.

(\$000s)	Beginning Balance 1/1/19	Gain (Loss) During Period	Total Purchases	Total Sales	Transfers Out of Level 3	Ending Balance 06/30/19
<b>Investments in Securities</b>						
Common Stocks	\$ 1,259	\$ 18	\$ –	\$ (243)	\$ –	\$ 1,034
Convertible Preferred Stocks	3,283	(141)	21	–	(320)	2,843
Total Level 3	\$ 4,542	\$ (123)	\$ 21	\$ (243)	\$ (320)	\$ 3,877

### NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

**Restricted Securities** The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

**Securities Lending** The fund may lend its securities to approved 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. 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, 2019, there were no securities on loan.

**Other** Purchases and sales of portfolio securities other than short-term securities aggregated \$56,025,000 and \$74,882,000, respectively, for the six months ended June 30, 2019.

#### 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, 2019, the cost of investments for federal income tax purposes was \$323,571,000. Net unrealized gain aggregated \$190,322,000 at period-end, of which \$201,858,000 related to appreciated investments and \$11,536,000 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; expenses related to borrowing, taxes, and brokerage and other transaction costs; and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund. Effective July 1, 2018, T. Rowe Price has contractually agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's overall management fee rate to 0.84% of the fund's average daily net assets, through at least April 30, 2020. This contractual arrangement will renew automatically for one-year terms thereafter and may be terminated only with approval of the fund's Board. The fund has no obligation to repay fees reduced under this arrangement.

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, 2019, 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**

Effective for reporting periods on or after March 1, 2019, a fund, except a money market fund, files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, a fund, including a money market fund, filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A money market fund files detailed month-end portfolio holdings information on Form N-MFP with the SEC each month and posts a complete schedule of portfolio holdings on its website (troweprice.com) as of each month-end for the previous six months. A fund's Forms N-PORT, N-MFP and N-Q are available electronically on the SEC's website (sec.gov).



**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 11–12, 2019 (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, 2018, 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. However, the fund has a contractual limitation in place whereby the Advisor has agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's management fee rate to 0.84% of the fund's average daily net assets. Any fees waived under this management fee waiver agreement are not subject to reimbursement to the Advisor by the fund. 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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)**

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 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, 2019

# Vanguard Variable Insurance Fund

Equity Index Portfolio

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.

## Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund's annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://vanguard.com).

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to [vanguard.com](https://vanguard.com). Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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# Equity Index Portfolio

## 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, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Equity Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,184.47	\$0.76
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.10	0.70

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 0.14%. 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).

## Sector Diversification

As of June 30, 2019

Communication Services	10.2%
Consumer Discretionary	10.2
Consumer Staples	7.3
Energy	5.0
Financials	13.1
Health Care	14.2
Industrials	9.4
Information Technology	21.5
Materials	2.8
Real Estate	3.0
Utilities	3.3

The table reflects the portfolio's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting 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.

# Financial Statements (unaudited)

## Statement of Net Assets

As of June 30, 2019

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (99.6%)<sup>1</sup></b>								
<b>Communication Services (10.2%)</b>								
* Facebook Inc. Class A	565,898	109,218	Royal Caribbean Cruises Ltd.	40,725	4,936	Mondelez International Inc. Class A	338,913	18,267
* Alphabet Inc. Class C	72,384	78,241	Aptiv plc	60,363	4,879	Colgate-Palmolive Co.	202,201	14,492
* Alphabet Inc. Class A	70,326	76,149	* Ultra Beauty Inc.	13,044	4,525	Kimberly-Clark Corp.	80,813	10,771
AT&T Inc.	1,719,395	57,617	* Carnival Corp.	93,974	4,375	Walgreens Boots Alliance Inc.	183,276	10,020
Walt Disney Co.	411,226	57,424	* Chipotle Mexican Grill Inc. Class A	5,712	4,186	Estee Lauder Cos. Inc. Class A	51,683	9,464
Verizon Communications Inc.	974,236	55,658	Best Buy Co. Inc.	54,615	3,808	Sysco Corp.	111,488	7,884
Comcast Corp. Class A	1,066,945	45,111	Expedia Group Inc.	27,906	3,712	Constellation Brands Inc. Class A	39,432	7,766
* Netflix Inc.	102,998	37,833	Genuine Parts Co.	34,250	3,548	General Mills Inc.	141,551	7,434
* Charter Communications Inc. Class A	40,531	16,017	Darden Restaurants Inc.	29,056	3,537	* Monster Beverage Corp.	92,429	5,900
Activision Blizzard Inc.	180,641	8,526	DR Horton Inc.	80,717	3,481	Tyson Foods Inc. Class A	69,349	5,599
* Electronic Arts Inc.	69,579	7,046	MGM Resorts International	119,440	3,412	Archer-Daniels-Midland Co.	131,551	5,367
* Twitter Inc.	172,645	6,025	* CarMax Inc.	39,000	3,386	Clorox Co.	30,054	4,602
Omnicom Group Inc.	51,722	4,239	Lennar Corp. Class A	66,047	3,201	Kraft Heinz Co.	147,856	4,589
CBS Corp. Class B	83,204	4,152	Tractor Supply Co.	28,453	3,096	McCormick & Co. Inc.	28,750	4,457
Fox Corp. Class A	83,846	3,072	Hasbro Inc.	27,520	2,908	Hershey Co.	32,668	4,379
* Take-Two Interactive Software Inc.	26,505	3,009	* Wynn Resorts Ltd.	22,655	2,809	Church & Dwight Co. Inc.	57,733	4,218
CenturyLink Inc.	223,570	2,629	* Norwegian Cruise Line Holdings Ltd.	50,948	2,732	Kroger Co.	190,322	4,132
Viacom Inc. Class B	83,104	2,482	Advance Auto Parts Inc.	16,765	2,584	Kellogg Co.	58,065	3,111
* Discovery Communications Inc.	84,242	2,397	Tiffany & Co.	25,443	2,383	JM Smucker Co.	26,605	3,065
* DISH Network Corp. Class A	54,150	2,080	Garmin Ltd.	28,325	2,260	Conagra Brands Inc.	114,148	3,027
Interpublic Group of Cos. Inc.	90,316	2,040	Tapestry Inc.	68,074	2,160	^ Hormel Foods Corp.	63,620	2,579
News Corp. Class A	108,193	1,460	Whirlpool Corp.	15,041	2,141	Molson Coors Brewing Co. Class B	44,088	2,469
Fox Corp. Class B	38,278	1,398	* Mohawk Industries Inc.	14,467	2,134	Lamb Weston Holdings Inc.	34,366	2,177
* Discovery Communications Inc. Class A	37,518	1,152	BorgWarner Inc.	48,815	2,049	Brown-Forman Corp. Class B	38,985	2,161
* TripAdvisor Inc.	24,096	1,115	* LKQ Corp.	73,618	1,959	Campbell Soup Co.	45,397	1,819
News Corp. Class B	11,121	155	PulteGroup Inc.	59,392	1,878	Coty Inc. Class A	72,248	968
		<b>586,245</b>	Kohl's Corp.	38,451	1,828			<b>418,295</b>
<b>Consumer Discretionary (10.2%)</b>			PVH Corp.	17,705	1,676	<b>Energy (5.0%)</b>		
* Amazon.com Inc.	97,411	184,460	Macy's Inc.	74,025	1,589	Exxon Mobil Corp.	996,844	76,388
Home Depot Inc.	259,223	53,911	Hanesbrands Inc.	84,035	1,447	Chevron Corp.	448,810	55,850
McDonald's Corp.	179,838	37,345	H&R Block Inc.	48,018	1,407	ConocoPhillips	266,088	16,231
NIKE Inc. Class B	296,124	24,860	Ralph Lauren Corp. Class A	12,374	1,406	Schlumberger Ltd.	327,087	12,998
Starbucks Corp.	285,277	23,915	L Brands Inc.	53,808	1,404	EOG Resources Inc.	136,959	12,759
* Booking Holdings Inc.	10,199	19,120	Newell Brands Inc.	90,758	1,400	Kinder Morgan Inc.	457,437	9,551
Lowe's Cos. Inc.	184,537	18,622	Harley-Davidson Inc.	37,602	1,347	Phillips 66	98,618	9,225
TJX Cos. Inc.	285,969	15,122	* Capri Holdings Ltd.	35,736	1,239	Occidental Petroleum Corp.	175,889	8,844
General Motors Co.	311,340	11,996	Leggett & Platt Inc.	30,688	1,178	Marathon Petroleum Corp.	156,367	8,738
Target Corp.	120,734	10,457	*^ Under Armour Inc. Class A	45,335	1,149	Valero Energy Corp.	98,122	8,400
Ford Motor Co.	924,382	9,456	Foot Locker Inc.	26,622	1,116	Anadarko Petroleum Corp.	118,401	8,354
Marriott International Inc. Class A	65,168	9,142	* Under Armour Inc. Class C	43,526	966	Williams Cos. Inc.	286,084	8,022
Ross Stores Inc.	86,263	8,550	Gap Inc.	49,909	897	ONEOK Inc.	97,569	6,714
Dollar General Corp.	60,857	8,226	Nordstrom Inc.	25,046	798	Pioneer Natural Resources Co.	39,499	6,077
Yum! Brands Inc.	71,961	7,964	Lennar Corp. Class B	1,030	40	Concho Resources Inc.	47,060	4,856
eBay Inc.	193,083	7,627			<b>586,354</b>	Halliburton Co.	204,819	4,658
* O'Reilly Automotive Inc.	18,513	6,837	<b>Consumer Staples (7.2%)</b>			Diamondback Energy Inc.	36,678	3,997
VF Corp.	76,887	6,716	Procter & Gamble Co.	590,820	64,783	Hess Corp.	59,601	3,789
Hilton Worldwide Holdings Inc.	68,650	6,710	Coca-Cola Co.	904,349	46,049	Baker Hughes a GE Co. Class A	120,916	2,978
* AutoZone Inc.	5,782	6,357	PepsiCo Inc.	330,163	43,294	Devon Energy Corp.	96,923	2,764
* Dollar Tree Inc.	55,823	5,995	Walmart Inc.	329,430	36,399	Marathon Oil Corp.	191,097	2,715
			Philip Morris International Inc.	366,587	28,788	TechnipFMC plc	100,005	2,594
			Costco Wholesale Corp.	103,608	27,379	Apache Corp.	88,111	2,553
			Altria Group Inc.	441,103	20,886	Noble Energy Inc.	113,633	2,545
						Cabot Oil & Gas Corp.	98,917	2,271



## Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
National Oilwell Varco Inc.	92,200	2,050	Nasdaq Inc.	27,250	2,621	* Waters Corp.	16,414	3,533
HollyFrontier Corp.	37,075	1,716	E*TRADE Financial Corp.	57,642	2,571	* WellCare Health Plans Inc.	11,874	3,385
Cimarex Energy Co.	23,743	1,409	Raymond James Financial Inc.	29,663	2,508	Cardinal Health Inc.	70,011	3,298
Helmerich & Payne Inc.	25,528	1,292	Franklin Resources Inc.	69,124	2,406	Quest Diagnostics Inc.	31,557	3,213
		<b>290,338</b>	Everest Re Group Ltd.	9,549	2,360	Dentsply Sirona Inc.	54,704	3,193
<b>Financials (13.1%)</b>			MarketAxess Holdings Inc.	7,187	2,310	AmerisourceBergen Corp.		
* Berkshire Hathaway Inc.			Torchmark Corp.	23,938	2,142	Class A	36,732	3,132
Class B	425,016	90,601	Zions Bancorp NA	43,571	2,003	* Hologic Inc.	62,831	3,017
JPMorgan Chase & Co.	764,019	85,417	Invesco Ltd.	93,101	1,905	* Varian Medical Systems Inc.	21,254	2,893
Bank of America Corp.	2,082,977	60,406	Unum Group	49,978	1,677	* ABIOMED Inc.	10,597	2,760
Wells Fargo & Co.	952,771	45,085	People's United Financial Inc.	92,025	1,544	Universal Health Services Inc. Class B	19,631	2,560
Citigroup Inc.	544,833	38,155	Assurant Inc.	14,487	1,541	PerkinElmer Inc.	25,856	2,491
American Express Co.	161,240	19,903	Jefferies Financial Group Inc.	58,864	1,132	* Henry Schein Inc.	35,504	2,482
US Bancorp	352,971	18,496	Affiliated Managers Group Inc.	12,208	1,125	* Mylan NV	121,357	2,311
Goldman Sachs Group Inc.	80,051	16,378				* DaVita Inc.	29,756	1,674
CME Group Inc.	84,290	16,362				* Nektar Therapeutics Class A	40,500	1,441
Chubb Ltd.	107,952	15,900				Perrigo Co. plc	29,126	1,387
PNC Financial Services Group Inc.	106,535	14,625			<b>754,206</b>			<b>816,930</b>
S&P Global Inc.	57,977	13,207	<b>Health Care (14.1%)</b>			<b>Industrials (9.3%)</b>		
Morgan Stanley	301,426	13,205	Johnson & Johnson	625,346	87,098	Boeing Co.	123,291	44,879
BlackRock Inc.	28,042	13,160	Pfizer Inc.	1,307,631	56,647	Honeywell International Inc.	171,464	29,936
Marsh & McLennan Cos. Inc.	120,332	12,003	UnitedHealth Group Inc.	223,810	54,612	Union Pacific Corp.	166,879	28,221
Intercontinental Exchange Inc.	132,608	11,396	Merck & Co. Inc.	606,369	50,844	United Technologies Corp.	190,966	24,864
Charles Schwab Corp.	280,045	11,255	Abbott Laboratories	415,452	34,940	3M Co.	135,863	23,550
MetLife Inc.	223,342	11,093	Medtronic plc	315,723	30,748	General Electric Co.	2,054,470	21,572
Progressive Corp.	137,635	11,001	Thermo Fisher Scientific Inc.	94,218	27,670	Lockheed Martin Corp.	57,850	21,031
Aon plc	56,611	10,925	Amgen Inc.	143,691	26,479	Caterpillar Inc.	134,538	18,336
American International Group Inc.	205,009	10,923	AbbVie Inc.	348,232	25,323	United Parcel Service Inc. Class B	164,504	16,988
Capital One Financial Corp.	110,792	10,053	Eli Lilly & Co.	203,509	22,547	CSX Corp.	181,222	14,021
Aflac Inc.	175,934	9,643	Danaher Corp.	148,344	21,201	Northrop Grumman Corp.	39,984	12,919
Prudential Financial Inc.	95,422	9,638	Gilead Sciences Inc.	299,164	20,212	Norfolk Southern Corp.	62,514	12,461
Travelers Cos. Inc.	61,830	9,245	Bristol-Myers Squibb Co.	385,420	17,479	Deere & Co.	74,667	12,373
Bank of New York Mellon Corp.	207,653	9,168	Anthem Inc.	60,562	17,091	General Dynamics Corp.	63,952	11,628
BB&T Corp.	180,676	8,877	CVS Health Corp.	305,985	16,673	Raytheon Co.	65,592	11,405
Allstate Corp.	78,453	7,978	Becton Dickinson and Co.	63,544	16,014	Waste Management Inc.	92,123	10,628
Moody's Corp.	38,929	7,603	* Celgene Corp.	166,148	15,359	Illinois Tool Works Inc.	70,422	10,620
* Berkshire Hathaway Inc.			Stryker Corp.	72,932	14,993	Emerson Electric Co.	144,477	9,640
Class A	21	6,685	* Intuitive Surgical Inc.	27,208	14,272	FedEx Corp.	56,356	9,253
SunTrust Banks Inc.	104,193	6,549	* Boston Scientific Corp.	327,597	14,080	Roper Technologies Inc.	24,506	8,976
T. Rowe Price Group Inc.	55,527	6,092	Cigna Corp.	89,215	14,056	Eaton Corp. plc	99,942	8,323
Discover Financial Services	76,116	5,906	Zoetis Inc.	112,792	12,801	Delta Air Lines Inc.	140,716	7,986
Willis Towers Watson plc	30,529	5,848	* Illumina Inc.	34,648	12,756	Johnson Controls International plc	187,832	7,759
M&T Bank Corp.	32,149	5,468	Allergan plc	72,624	12,159	Ingersoll-Rand plc	56,845	7,201
Synchrony Financial	149,545	5,185	* Vertex Pharmaceuticals Inc.	60,358	11,068	Cummins Inc.	34,305	5,878
State Street Corp.	87,754	4,919	* Biogen Inc.	45,702	10,688	Southwest Airlines Co.	115,521	5,866
Fifth Third Bancorp	172,059	4,800	Baxter International Inc.	111,958	9,169	PACCAR Inc.	81,323	5,828
Hartford Financial Services Group Inc.	85,581	4,769	* Edwards Lifesciences Corp.	49,128	9,076	Verisk Analytics Inc. Class A	38,659	5,662
MSCI Inc. Class A	19,832	4,736	HCA Healthcare Inc.	63,049	8,522	Fortive Corp.	69,091	5,632
Northern Trust Corp.	51,267	4,614	Humana Inc.	31,831	8,445	* TransDigm Group Inc.	11,565	5,595
Ameriprise Financial Inc.	31,726	4,605	* Alexion Pharmaceuticals Inc.	52,989	6,941	* IHS Markit Ltd.	86,008	5,480
KeyCorp	236,188	4,192	McKesson Corp.	44,657	6,002	Harris Corp.	27,767	5,252
Arthur J Gallagher & Co.	43,896	3,845	* IQVIA Holdings Inc.	37,132	5,975	Stanley Black & Decker Inc.	35,862	5,186
Citizens Financial Group Inc.	107,705	3,808	* Regeneron Pharmaceuticals Inc.	18,541	5,803	Parker-Hannifin Corp.	30,364	5,162
First Republic Bank	38,559	3,765	Zimmer Biomet Holdings Inc.	48,355	5,693	AMETEK Inc.	53,899	4,896
Cincinnati Financial Corp.	36,003	3,732	Cerner Corp.	76,769	5,627	Cintas Corp.	19,844	4,709
Regions Financial Corp.	237,721	3,552	Agilent Technologies Inc.	74,571	5,568	L3 Technologies Inc.	18,791	4,607
Principal Financial Group Inc.	60,635	3,512	* IDEXX Laboratories Inc.	20,172	5,554	Rockwell Automation Inc.	27,702	4,538
Loews Corp.	63,093	3,449	* Centene Corp.	97,814	5,129	* United Continental Holdings Inc.	51,781	4,533
Huntington Bancshares Inc.	244,891	3,384	* Mettler-Toledo International Inc.	5,824	4,892	Fastenal Co.	134,516	4,384
Lincoln National Corp.	47,810	3,081	* Align Technology Inc.	17,082	4,675	Republic Services Inc. Class A	50,493	4,375
* SVB Financial Group	12,405	2,786	ResMed Inc.	33,986	4,147	Equifax Inc.	28,412	3,842
Cboe Global Markets Inc.	26,341	2,730	* Laboratory Corp. of America Holdings	23,166	4,005			
Comerica Inc.	36,453	2,648	Cooper Cos. Inc.	11,709	3,945			
			Teleflex Inc.	10,958	3,629			
			* Incyte Corp.	41,821	3,553			

Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Copart Inc.	47,749	3,569	Amphenol Corp. Class A	70,536	6,767	FMC Corp.	30,901	2,563
Xylem Inc.	42,179	3,528	Lam Research Corp.	35,334	6,637	Eastman Chemical Co.	32,849	2,557
Dover Corp.	33,968	3,404	Motorola Solutions Inc.	38,845	6,477	CF Industries Holdings Inc.	52,226	2,440
Expeditors International of Washington Inc.	40,922	3,104	* Advanced Micro Devices Inc.	208,953	6,346	Avery Dennison Corp.	20,143	2,330
American Airlines Group Inc.	92,399	3,013	Paychex Inc.	75,536	6,216	Westrock Co.	61,181	2,231
Textron Inc.	54,964	2,915	Corning Inc.	184,318	6,125	Packaging Corp. of America	22,075	2,104
Kansas City Southern	23,557	2,870	Global Payments Inc.	37,049	5,933	Mosaic Co.	83,074	2,079
WW Grainger Inc.	10,572	2,836	* FleetCor Technologies Inc.	20,302	5,702	Albemarle Corp.	24,740	1,742
Wabtec Corp.	38,290	2,748	* VeriSign Inc.	24,743	5,175	Sealed Air Corp.	36,756	1,573
CH Robinson Worldwide Inc.	32,189	2,715	Total System Services Inc.	38,550	4,945			161,040
Masco Corp.	68,904	2,704	Microchip Technology Inc.	56,316	4,883			
* United Rentals Inc.	18,618	2,469	Hewlett Packard Enterprise Co.	315,711	4,720	<b>Real Estate (3.0%)</b>		
Allegion plc	22,166	2,450	* Cadence Design Systems Inc.	65,828	4,661	American Tower Corp.	104,048	21,273
Arconic Inc.	94,179	2,432	* Synopsys Inc.	35,465	4,564	Crown Castle International Corp.	98,017	12,777
Jacobs Engineering Group Inc.	26,929	2,273	KLA-Tencor Corp.	38,108	4,504	Prologis Inc.	148,794	11,918
Huntington Ingalls Industries Inc.	9,729	2,187	* ANSYS Inc.	19,883	4,072	Simon Property Group Inc.	72,922	11,650
Snap-on Inc.	13,061	2,163	* Keysight Technologies Inc.	43,988	3,951	Equinix Inc.	19,807	9,988
Fortune Brands Home & Security Inc.	33,033	1,887	Maxim Integrated Products Inc.	64,008	3,829	Public Storage	35,461	8,446
Nielsen Holdings plc	83,401	1,885	NetApp Inc.	57,903	3,573	Welltower Inc.	95,344	7,773
JB Hunt Transport Services Inc.	20,280	1,854	Broadridge Financial Solutions Inc.	27,535	3,516	AvalonBay Communities Inc.	32,822	6,669
Alaska Air Group Inc.	28,714	1,835	DXC Technology Co.	62,839	3,466	Equity Residential	86,889	6,597
Flowserve Corp.	30,753	1,620	* Gartner Inc.	21,332	3,433	* SBA Communications Corp. Class A	26,704	6,004
Robert Half International Inc.	27,751	1,582	Western Digital Corp.	69,505	3,305	Ventas Inc.	87,083	5,952
AO Smith Corp.	33,164	1,564	* Arista Networks Inc.	12,481	3,240	Digital Realty Trust Inc.	49,117	5,785
Pentair plc	36,874	1,372	Symantec Corp.	145,860	3,174	Realty Income Corp.	74,182	5,116
Quanta Services Inc.	33,302	1,272	Skyworks Solutions Inc.	40,710	3,146	Boston Properties Inc.	36,303	4,683
Rollins Inc.	34,629	1,242	* Akamai Technologies Inc.	38,905	3,118	Weyerhaeuser Co.	175,226	4,615
		539,488	Citrix Systems Inc.	29,253	2,871	* Essex Property Trust Inc.	15,547	4,539
<b>Information Technology (21.4%)</b>			Seagate Technology plc	59,906	2,823	* CBRE Group Inc. Class A	73,712	3,781
Microsoft Corp.	1,804,825	241,774	* Fortinet Inc.	34,108	2,620	Alexandria Real Estate Equities Inc.	26,769	3,777
Apple Inc.	1,029,545	203,768	Jack Henry & Associates Inc.	18,187	2,436	HCP Inc.	111,869	3,578
Visa Inc. Class A	409,401	71,051	Juniper Networks Inc.	81,486	2,170	Extra Space Storage Inc.	29,923	3,175
Mastercard Inc. Class A	211,771	56,020	Western Union Co.	102,078	2,030	Host Hotels & Resorts Inc.	173,102	3,154
Cisco Systems Inc.	1,008,302	55,184	* F5 Networks Inc.	13,921	2,027	Mid-America Apartment Communities Inc.	26,676	3,141
Intel Corp.	1,053,987	50,454	* Qorvo Inc.	27,768	1,850	UDR Inc.	66,578	2,989
* Adobe Inc.	114,925	33,863	FLIR Systems Inc.	32,067	1,735	Duke Realty Corp.	84,181	2,661
Oracle Corp.	571,407	32,553	Xerox Corp.	45,207	1,601	Regency Centers Corp.	39,262	2,620
* PayPal Holdings Inc.	276,680	31,669	Alliance Data Systems Corp.	10,756	1,507	Vornado Realty Trust	40,517	2,597
International Business Machines Corp.	208,821	28,796	* IPG Photonics Corp.	8,300	1,280	Federal Realty Investment Trust	17,846	2,298
* salesforce.com Inc.	182,922	27,755			1,235,980	Iron Mountain Inc.	66,983	2,097
Accenture plc Class A	150,148	27,743	<b>Materials (2.8%)</b>			Kimco Realty Corp.	98,912	1,828
Broadcom Inc.	93,233	26,838	Linde plc	127,865	25,675	Apartment Investment & Management Co.	35,340	1,771
Texas Instruments Inc.	220,950	25,356	DuPont de Nemours Inc.	176,290	13,234	SL Green Realty Corp.	20,230	1,626
NVIDIA Corp.	143,479	23,564	Ecolab Inc.	59,791	11,805	Macerich Co.	24,990	837
QUALCOMM Inc.	286,351	21,783	Air Products & Chemicals Inc.	51,899	11,748			175,715
Automatic Data Processing Inc.	102,523	16,950	Sherwin-Williams Co.	19,162	8,782	<b>Utilities (3.3%)</b>		
Intuit Inc.	61,066	15,958	Dow Inc.	176,171	8,687	NextEra Energy Inc.	112,722	23,092
* Micron Technology Inc.	260,938	10,070	Newmont Goldcorp Corp.	193,341	7,438	Duke Energy Corp.	171,396	15,124
Applied Materials Inc.	220,627	9,908	PPG Industries Inc.	55,785	6,511	Dominion Energy Inc.	188,975	14,612
Analog Devices Inc.	87,113	9,832	LyondellBasell Industries NV Class A	71,329	6,144	Southern Co.	245,100	13,549
Fidelity National Information Services Inc.	76,335	9,365	Ball Corp.	78,370	5,485	Exelon Corp.	228,681	10,963
Cognizant Technology Solutions Corp. Class A	133,839	8,484	* Corteva Inc.	176,022	5,205	American Electric Power Co. Inc.	116,408	10,245
* Fiserv Inc.	92,634	8,444	Amcor plc	380,540	4,372	Sempra Energy	64,756	8,900
* Autodesk Inc.	51,779	8,435	Vulcan Materials Co.	30,974	4,253	Xcel Energy Inc.	121,306	7,216
* Red Hat Inc.	41,826	7,853	International Paper Co.	94,088	4,076	Public Service Enterprise Group Inc.	119,359	7,021
TE Connectivity Ltd.	79,585	7,623	Freeport-McMoRan Inc.	344,318	3,998	Consolidated Edison Inc.	77,205	6,769
HP Inc.	354,992	7,380	Nucor Corp.	71,666	3,949	WEC Energy Group Inc.	74,058	6,174
Xilinx Inc.	60,034	7,079	International Flavors & Fragrances Inc.	23,781	3,450	Eversource Energy	75,653	5,731
			Martin Marietta Materials Inc.	14,650	3,371	DTE Energy Co.	43,190	5,523
			Celanese Corp. Class A	30,038	3,238	PPL Corp.	170,707	5,294
						Edison International	76,490	5,156
						FirstEnergy Corp.	119,254	5,105

# Equity Index Portfolio

	Shares	Market Value* (\$000)
American Water Works Co. Inc.	42,414	4,920
Entergy Corp.	45,008	4,633
Ameren Corp.	58,070	4,362
CMS Energy Corp.	66,614	3,858
Evergy Inc.	57,636	3,467
CenterPoint Energy Inc.	117,410	3,361
Atmos Energy Corp.	27,448	2,897
Alliant Energy Corp.	55,395	2,719
AES Corp.	155,525	2,607
NiSource Inc.	87,386	2,517
Pinnacle West Capital Corp.	26,328	2,477
NRG Energy Inc.	63,230	2,221
		<b>190,513</b>
<b>Total Common Stocks</b> <b>(Cost \$3,543,739)</b>		<b>5,755,104</b>
<b>Temporary Cash Investments (0.4%)<sup>1</sup></b>		
<b>Money Market Fund (0.4%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.499%	252,255	25,230
	Face Amount (\$000)	
<b>U.S. Government and Agency Obligations (0.0%)</b>		
<sup>4</sup> United States Treasury Bill, 2.386%, 7/5/19	200	200
<sup>4</sup> United States Treasury Bill, 2.385%, 8/1/19	1,000	998
United States Treasury Bill, 2.048%, 11/21/19	200	199
		<b>1,397</b>
<b>Total Temporary Cash Investments</b> <b>(Cost \$26,627)</b>		<b>26,627</b>
<b>Total Investments (100.0%)</b> <b>(Cost \$3,570,366)</b>		<b>5,781,731</b>

	Amount (\$000)
<b>Other Assets and Liabilities (0.0%)</b>	
<b>Other Assets</b>	
Investment in Vanguard	272
Receivables for Investment Securities Sold	76
Receivables for Accrued Income	4,784
Receivables for Capital Shares Issued	649
Variation Margin Receivable—Futures Contracts	116
Other Assets <sup>5</sup>	58
<b>Total Other Assets</b>	<b>5,955</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	(2,451)
Collateral for Securities on Loan	(530)
Payables for Capital Shares Redeemed	(3,279)
Payables to Vanguard	(1,917)
<b>Total Liabilities</b>	<b>(8,177)</b>
<b>Net Assets (100%)</b>	
<b>Applicable to 134,310,992 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)</b>	<b>5,779,509</b>
<b>Net Asset Value Per Share</b>	<b>\$43.03</b>

At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	3,462,261
Total Distributable Earnings (Loss)	2,317,248
<b>Net Assets</b>	<b>5,779,509</b>

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

<sup>A</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$515,000.

<sup>1</sup> The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% and 0.0%, respectively, of net assets.

<sup>2</sup> Includes \$530,000 of collateral received for securities on loan.

<sup>3</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

<sup>4</sup> Securities with a value of \$1,198,000 have been segregated as initial margin for open futures contracts.

<sup>5</sup> Cash of \$49,000 has 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 2019	175	25,762	342

## Statement of Operations

	Six Months Ended June 30, 2019 (\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	54,847
Interest <sup>1</sup>	260
Securities Lending—Net	79
Total Income	55,186
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	672
Management and Administrative	2,880
Marketing and Distribution	225
Custodian Fees	20
Shareholders' Reports	14
Trustees' Fees and Expenses	1
Total Expenses	3,812
<b>Net Investment Income</b>	<b>51,374</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	59,836
Futures Contracts	3,242
<b>Realized Net Gain (Loss)</b>	<b>63,078</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	791,592
Futures Contracts	42
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>791,634</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>906,086</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$241,000, (\$1,000), and (\$1,000), respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019 (\$000)	Year Ended December 31, 2018 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	51,374	103,632
Realized Net Gain (Loss)	63,078	138,799
Change in Unrealized Appreciation (Depreciation)	791,634	(473,810)
Net Increase (Decrease) in Net Assets Resulting from Operations	906,086	(231,379)
<b>Distributions</b>		
Net Investment Income	(107,141)	(88,315)
Realized Capital Gain <sup>1</sup>	(140,285)	(85,966)
Total Distributions	(247,426)	(174,281)
<b>Capital Share Transactions</b>		
Issued	270,309	560,449
Issued in Lieu of Cash Distributions	247,426	174,281
Redeemed	(330,556)	(573,178)
Net Increase (Decrease) from Capital Share Transactions	187,179	161,552
Total Increase (Decrease)	845,839	(244,108)
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>4,933,670</b>	<b>5,177,778</b>
<b>End of Period</b>	<b>5,779,509</b>	<b>4,933,670</b>

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$347,000 and \$2,110,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$38.03</b>	<b>\$41.17</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>	<b>\$31.50</b>
<b>Investment Operations</b>						
Net Investment Income	.389 <sup>1</sup>	.804 <sup>1</sup>	.699 <sup>1</sup>	.704	.759 <sup>2</sup>	.587
Net Realized and Unrealized Gain (Loss) on Investments	6.537	(2.556)	6.734	3.055	(.338)	3.522
Total from Investment Operations	6.926	(1.752)	7.433	3.759	.421	4.109
<b>Distributions</b>						
Dividends from Net Investment Income	(.834)	(.703)	(.699)	(.759)	(.569)	(.555)
Distributions from Realized Capital Gains	(1.092)	(.685)	(1.194)	(.620)	(1.042)	(.614)
Total Distributions	(1.926)	(1.388)	(1.893)	(1.379)	(1.611)	(1.169)
<b>Net Asset Value, End of Period</b>	<b>\$43.03</b>	<b>\$38.03</b>	<b>\$41.17</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>
<b>Total Return</b>	<b>18.45%</b>	<b>-4.51%</b>	<b>21.66%</b>	<b>11.81%</b>	<b>1.27%</b>	<b>13.51%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$5,780	\$4,934	\$5,178	\$4,329	\$3,985	\$3,784
Ratio of Total Expenses to Average Net Assets	0.14%	0.14%	0.15%	0.15%	0.15%	0.16%
Ratio of Net Investment Income to Average Net Assets	1.89%	1.94%	1.85%	2.08%	2.31% <sup>2</sup>	1.88%
Portfolio Turnover Rate	4%	5%	5%	7%	4%	7%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

<sup>1</sup> Calculated based on average shares outstanding.

<sup>2</sup> 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

The 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. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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, 2019, the portfolio's average investments in long and short futures contracts represented less than 1% and 0%, respectively, of net assets, 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, 2015–2018), and for the period ended June 30, 2019, 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. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

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 \$4.3 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, 2019, 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 are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. 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, 2019, the portfolio had contributed to Vanguard capital in the amount of \$272,000, representing 0.00% 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, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	5,755,104	—	—
Temporary Cash Investments	25,230	1,397	—
Futures Contracts—Assets <sup>1</sup>	116	—	—
Total	5,780,450	1,397	—

<sup>1</sup> Represents variation margin on the last day of the reporting period.



D. As of June 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	3,570,366
Gross Unrealized Appreciation	2,563,881
Gross Unrealized Depreciation	(352,174)
Net Unrealized Appreciation (Depreciation)	2,211,707

E. During the six months ended June 30, 2019, the portfolio purchased \$116,114,000 of investment securities and sold \$118,942,000 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, 2019, such purchases and sales were \$11,978,000 and \$6,947,000, 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, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	6,491	13,586
Issued in Lieu of Cash Distributions	6,019	4,242
Redeemed	(7,944)	(13,844)
Net Increase (Decrease) in Shares Outstanding	4,566	3,984

At June 30, 2019, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Total Stock Market Index Portfolio), were each the record or beneficial owner of 25% or more of the portfolio's net assets, with a combined ownership of 67%. If any of these shareholders were to redeem their investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.



## 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.

### **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.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

### **The benefit of economies of scale**

The board concluded that the portfolio's 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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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [sec.gov](http://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](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



P.O. Box 2600  
Valley Forge, PA 19482-2600



**Semiannual Report** | June 30, 2019

# Vanguard Variable Insurance Fund

Balanced Portfolio

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.

Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund’s annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://vanguard.com).

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to [vanguard.com](https://vanguard.com). Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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# Balanced Portfolio

## 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, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Balanced Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,128.10	\$1.11
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.75	1.05

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 0.21%. 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).

## Sector Diversification

As of June 30, 2019

### Equity Exposure

Communication Services	9.7%
Consumer Discretionary	5.1
Consumer Staples	7.4
Energy	7.9
Financials	22.2
Health Care	14.4
Industrials	10.4
Information Technology	12.7
Materials	2.6
Real Estate	2.9
Utilities	4.7

The table reflects the portfolio's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

### Fixed Income Exposure

Asset-Backed/Commercial Mortgage-Backed	4.4%
Finance	25.7
Foreign	4.7
Government Mortgage-Backed	4.8
Industrial	32.1
Treasury	15.9
Utilities	7.6
Other	4.8

The table reflects the portfolio's market exposure. Any holdings in short-term reserves are excluded. The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

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## Financial Statements (unaudited)

### Statement of Net Assets

As of June 30, 2019

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (64.0%)</b>								
<b>Communication Services (6.2%)</b>			PNC Financial Services Group Inc.			United Parcel Service Inc. Class B		
Verizon Communications Inc.	1,261,540	72,072	Intercontinental Exchange Inc.	191,378	26,272	Schneider Electric SE	136,817	14,129
* Alphabet Inc. Class A	49,971	54,108	American International Group Inc.	253,234	21,763	Johnson Controls International plc	261,684	10,810
Comcast Corp. Class A	1,219,600	51,565	BlackRock Inc.	402,172	21,428	Raytheon Co.	58,707	10,208
AT&T Inc.	336,199	11,266	Northern Trust Corp.	41,898	19,663	Assa Abloy AB Class B	433,557	9,782
		<b>189,011</b>	Hartford Financial Services Group Inc.	201,607	18,145	Eaton Corp. plc	105,527	8,788
<b>Consumer Discretionary (3.3%)</b>			Mitsubishi UFJ Financial Group Inc.	253,626	14,132	BAE Systems plc	678,596	4,265
Home Depot Inc.	119,016	24,752	Marsh & McLennan Cos. Inc.	2,797,710	13,325			<b>201,289</b>
Lowe's Cos. Inc.	187,352	18,906	Bank of Nova Scotia	130,939	13,061	<b>Information Technology (8.1%)</b>		
Hilton Worldwide Holdings Inc.	188,218	18,396	Progressive Corp.	235,710	12,811	Microsoft Corp.	724,187	97,012
TJX Cos. Inc.	320,211	16,933	BNP Paribas SA	126,090	10,078	Intel Corp.	704,411	33,720
* Alibaba Group Holding Ltd. ADR	49,452	8,380	American Express Co.	165,308	7,836	Cisco Systems Inc.	521,051	28,517
eBay Inc.	187,017	7,387	UBS Group AG	53,595	6,616	Apple Inc.	127,762	25,287
Ross Stores Inc.	43,947	4,356	ING Groep NV	506,419	6,001	HP Inc.	869,543	18,078
		<b>99,110</b>	Tokio Marine Holdings Inc.	501,003	5,804	Accenture plc Class A	88,273	16,310
<b>Consumer Staples (4.8%)</b>			Charles Schwab Corp.	113,265	5,683	International Business Machines Corp.	95,921	13,228
PepsiCo Inc.	211,440	27,726	* BrightHouse Financial Inc.	127,289	5,116	Samsung Electronics Co. Ltd. GDR	9,321	9,482
Nestle SA	227,822	23,585		25,513	936	Texas Instruments Inc.	39,119	4,489
Coca-Cola Co.	433,809	22,089			<b>430,539</b>			<b>246,123</b>
Unilever NV	336,452	20,442	<b>Health Care (9.3%)</b>			<b>Materials (1.6%)</b>		
Sysco Corp.	264,823	18,728	Pfizer Inc.	867,678	37,588	International Paper Co.	419,974	18,193
Diageo plc	399,016	17,174	Medtronic plc	352,915	34,371	PPG Industries Inc.	117,184	13,677
Walmart Inc.	131,366	14,515	AstraZeneca plc ADR	813,463	33,580	DuPont de Nemours Inc.	160,168	12,024
		<b>144,259</b>	Merck & Co. Inc.	327,212	27,437	LyondellBasell Industries NV Class A	67,529	5,816
<b>Energy (5.0%)</b>			UnitedHealth Group Inc.	109,218	26,650			<b>49,710</b>
Chevron Corp.	449,565	55,944	Novartis AG	279,437	25,510	<b>Real Estate (1.8%)</b>		
TOTAL SA	445,688	25,000	Bristol-Myers Squibb Co.	558,073	25,309	American Tower Corp.	141,618	28,954
Suncor Energy Inc.	569,416	17,762	Abbott Laboratories	226,877	19,080	Simon Property Group Inc.	121,847	19,466
Exxon Mobil Corp.	209,889	16,084	CVS Health Corp.	323,658	17,636	Boston Properties Inc.	56,848	7,333
ConocoPhillips	250,407	15,275	Koninklijke Philips NV	340,830	14,818			<b>55,753</b>
BP plc	1,389,126	9,678	Eli Lilly & Co.	133,679	14,810	<b>Utilities (3.0%)</b>		
Hess Corp.	136,309	8,665	* Alcon Inc.	55,887	3,451	NextEra Energy Inc.	144,778	29,659
Halliburton Co.	169,501	3,855			<b>280,240</b>	Dominion Energy Inc.	371,388	28,716
		<b>152,263</b>	<b>Industrials (6.7%)</b>			Exelon Corp.	450,957	21,619
<b>Financials (14.2%)</b>			Deere & Co.	172,206	28,536	* Iberdrola SA	1,173,778	11,686
JPMorgan Chase & Co.	627,267	70,128	Lockheed Martin Corp.	71,299	25,920			<b>91,680</b>
Bank of America Corp.	2,269,994	65,830	United Technologies Corp.	194,328	25,302	<b>Total Common Stocks</b>		
Chubb Ltd.	312,042	45,961	Union Pacific Corp.	110,804	18,738	<b>(Cost \$1,461,970)</b>		
Prudential Financial Inc.	395,547	39,950	General Dynamics Corp.	87,741	15,953			<b>1,939,977</b>
			Vinci SA	145,855	14,896			



## Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>U.S. Government and Agency Obligations (6.9%)</b>				
<b>U.S. Government Securities (5.3%)</b>				
United States Treasury Inflation Indexed Bonds	0.750%	7/15/28	4,690	4,976
United States Treasury Note/Bond	1.375%	2/29/20	2,130	2,120
United States Treasury Note/Bond	2.250%	2/29/20	6,100	6,108
United States Treasury Note/Bond	2.250%	3/31/20	6,000	6,010
United States Treasury Note/Bond	1.625%	6/30/20	2,840	2,830
United States Treasury Note/Bond	1.500%	8/15/20	4,250	4,230
United States Treasury Note/Bond	2.875%	10/31/20	5,645	5,718
United States Treasury Note/Bond	2.500%	1/31/21	515	520
United States Treasury Note/Bond	1.250%	3/31/21	3,000	2,971
United States Treasury Note/Bond	1.375%	5/31/21	3,500	3,473
United States Treasury Note/Bond	2.875%	11/15/21	4,100	4,207
United States Treasury Note/Bond	2.125%	12/31/22	7,700	7,802
United States Treasury Note/Bond	2.500%	3/31/23	20,815	21,387
United States Treasury Note/Bond	2.625%	6/30/23	7,300	7,549
United States Treasury Note/Bond	2.750%	7/31/23	3,300	3,430
United States Treasury Note/Bond	2.875%	10/31/23	5,600	5,861
United States Treasury Note/Bond	2.625%	12/31/23	8,300	8,609
United States Treasury Note/Bond	2.125%	3/31/24	140	142
United States Treasury Note/Bond	3.125%	11/15/28	4,815	5,279
United States Treasury Note/Bond	2.625%	2/15/29	9,015	9,502
United States Treasury Note/Bond	2.375%	5/15/29	14,600	15,079
United States Treasury Note/Bond	2.875%	5/15/43	6,738	7,199
United States Treasury Note/Bond	3.375%	5/15/44	2,935	3,407
United States Treasury Note/Bond	3.125%	8/15/44	1,740	1,939
United States Treasury Note/Bond	2.500%	2/15/45	2,060	2,050
United States Treasury Note/Bond	2.250%	8/15/46	3,068	2,894
United States Treasury Note/Bond	2.750%	8/15/47	3,855	4,017
United States Treasury Note/Bond	3.000%	8/15/48	1,660	1,818
United States Treasury Note/Bond	3.000%	2/15/49	390	428
United States Treasury Note/Bond	2.875%	5/15/49	3,770	4,038
United States Treasury Strip Principal	0.000%	5/15/47	4,910	2,384
United States Treasury Strip Principal	0.000%	8/15/47	6,835	3,285
				<b>161,262</b>
<b>Conventional Mortgage-Backed Securities (1.1%)</b>				
<sup>2,3</sup> Fannie Mae Pool	2.500%	4/1/37–4/1/38	2,015	2,010
<sup>2,3,4</sup> Fannie Mae Pool	3.000%	7/1/34–1/1/47	956	975
<sup>2,3</sup> Fannie Mae Pool	3.500%	12/1/47–1/1/58	16,580	17,060
<sup>2,3</sup> Fannie Mae Pool	4.000%	8/1/48–2/1/49	8,196	8,488
<sup>2,3</sup> Freddie Mac Gold Pool	4.000%	9/1/41–12/1/48	4,299	4,447
<sup>2</sup> Ginnie Mae I Pool	7.000%	11/15/31–11/15/33	73	84
<sup>2</sup> Ginnie Mae I Pool	8.000%	9/15/30	46	48
				<b>33,112</b>
<b>Nonconventional Mortgage-Backed Securities (0.5%)</b>				
<sup>2,3</sup> Fannie Mae REMICS	3.000%	9/25/57	1,269	1,290
<sup>2,3</sup> Fannie Mae REMICS	3.500%	4/25/31–6/25/59	10,298	10,694
<sup>2,3</sup> Fannie Mae REMICS	4.000%	9/25/29–5/25/31	429	446
<sup>2,3</sup> Freddie Mac REMICS	3.500%	3/15/31	132	137
<sup>2,3</sup> Freddie Mac REMICS	4.000%	12/15/30–4/15/31	2,371	2,509
				<b>15,076</b>
<b>Total U.S. Government and Agency Obligations (Cost \$202,441)</b>				<b>209,450</b>
<b>Asset-Backed/Commercial Mortgage-Backed Securities (1.4%)</b>				
<sup>2,5</sup> Aaset 2019-1 Trust	3.844%	5/15/39	450	450
<sup>2,5</sup> American Express Credit Account Master Trust	2.950%	3/15/23	1,720	1,743
<sup>5</sup> American Tower Trust I	3.070%	3/15/23	1,100	1,121

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>2</sup> AmeriCredit Automobile Receivables Trust 2016-3	2.240%	4/8/22	360	360
<sup>2,5</sup> Angel Oak Mortgage Trust I LLC 2019-2	3.628%	3/25/49	311	315
<sup>2,5,6</sup> Ares XXIX CLO Ltd., 3M USD LIBOR + 1.190%	3.778%	4/17/26	544	545
<sup>2,5,6</sup> Atlas Senior Loan Fund X Ltd., 3M USD LIBOR + 1.090%	3.687%	1/15/31	250	247
<sup>2,5,6</sup> Avery Point IV CLO Ltd., 3M USD LIBOR + 1.100%	3.680%	4/25/26	685	686
<sup>5</sup> Bank of Montreal	2.500%	1/11/22	1,700	1,720
<sup>2</sup> BMW Vehicle Lease Trust 2018-1A	3.260%	7/20/21	295	299
<sup>2,5</sup> Canadian Pacer Auto Receivable Trust A Series 2018	3.000%	6/21/21	210	211
<sup>2,5</sup> Canadian Pacer Auto Receivable Trust A Series 2018	3.270%	12/19/22	140	142
<sup>2</sup> CarMax Auto Owner Trust 2018-4	3.110%	2/15/22	955	959
<sup>2</sup> CarMax Auto Owner Trust 2018-4	3.360%	9/15/23	585	599
<sup>2,5</sup> Castlelake Aircraft Securitization Trust 2019-1	3.967%	4/15/39	882	883
<sup>2,5,6</sup> Cent CLO, 3M USD LIBOR + 1.150%	3.730%	10/25/28	550	549
<sup>2,5</sup> Chesapeake Funding II LLC	3.390%	1/15/31	905	915
<sup>2,5</sup> Chesapeake Funding II LLC 2017-2A	1.990%	5/15/29	138	138
<sup>2,5</sup> Chesapeake Funding II LLC 2018-1	3.040%	4/15/30	988	998
<sup>2,5</sup> Cloud Pass-Through Trust 2019-1	3.554%	12/5/22	1,259	1,276
<sup>2,5</sup> COLT 2019-2 Mortgage Loan Trust	3.337%	5/25/49	586	592
<sup>2</sup> COMM 2012-CCRE2 Mortgage Trust	3.147%	8/15/45	480	490
<sup>2,5</sup> Daimler Trucks Retail Trust 2019-1	2.770%	4/15/21	845	846
<sup>2,5</sup> DB Master Finance LLC	3.787%	5/20/49	455	469
<sup>2,5</sup> DB Master Finance LLC	4.021%	5/20/49	405	415
<sup>2,5</sup> Deephave Residential Mortgage Trust 2019-2	3.558%	4/25/59	509	516
<sup>5</sup> DNB Boligkreditt AS	2.500%	3/28/22	1,315	1,333
<sup>2,5</sup> Enterprise Fleet Financing LLC	3.100%	10/20/23	270	273
<sup>2,5</sup> Enterprise Fleet Financing LLC Series 2017-1	2.130%	7/20/22	65	64
<sup>2,5</sup> Enterprise Fleet Financing LLC Series 2018-1	2.870%	10/20/23	747	749
<sup>2,5</sup> Enterprise Fleet Financing LLC Series 2018-3	3.380%	5/20/24	540	547
<sup>2,5</sup> Enterprise Fleet Financing LLC Series 2019-1	2.980%	10/22/24	745	753
<sup>2,5</sup> Exeter Automobile Receivables Trust 2018-3	2.900%	1/18/22	127	127
<sup>2,5</sup> Golden Credit Card Trust	1.980%	4/15/22	545	542
<sup>2,5</sup> Golden Credit Card Trust 2018-1A	2.620%	1/15/23	485	489
<sup>5</sup> GTP Acquisition Partners I LLC	2.350%	6/15/20	580	577
<sup>2,5</sup> Hertz Fleet Lease Funding LP 2019-1	2.700%	1/10/33	1,095	1,104
<sup>5,2,5</sup> Horizon Aircraft Finance Ltd.	3.721%	7/15/39	335	335
<sup>2,5</sup> Hyundai Auto Lease Securitization Trust 2018-A	2.550%	8/17/20	237	237
<sup>2,5,6</sup> Madison Park Funding XII Ltd., 3M USD LIBOR + 1.260%	3.851%	7/20/26	646	647
<sup>2,5,6</sup> Madison Park Funding XIII Ltd., 3M USD LIBOR + 0.950%	3.542%	4/19/30	930	927
<sup>2,5</sup> MAPS Ltd.	4.458%	3/15/44	243	251
<sup>2,5,6</sup> Master Credit Card Trust II Series 2018-1A, 1M USD LIBOR + 0.490%	2.873%	7/21/24	1,000	997
<sup>2</sup> Nissan Auto Lease Trust 2018-B	3.250%	9/15/21	460	466
<sup>2,5</sup> OneMain Direct Auto Receivables Trust	3.430%	12/16/24	1,100	1,115
<sup>2,5</sup> OneMain Direct Auto Receivables Trust 2017-2	2.310%	12/14/21	334	333
<sup>2,5</sup> OneMain Financial Issuance Trust 2017-1	2.370%	9/14/32	273	273
<sup>2,5</sup> OneMain Financial Issuance Trust 2019-1	3.480%	2/14/31	1,000	1,020

## Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>2</sup> Santander Drive Auto Receivables Trust 2018-5	2.970%	7/15/21	573	574	<sup>5</sup> Banque Federative du Credit Mutuel SA	2.750%	10/15/20	1,200	1,206
<sup>2</sup> Santander Drive Auto Receivables Trust 2018-5	3.190%	3/15/22	220	221	Barclays Bank plc	5.140%	10/14/20	160	164
<sup>2.5</sup> Santander Retail Auto Lease Trust 2019-A	2.720%	1/20/22	580	583	<sup>2</sup> Barclays plc	3.932%	5/7/25	1,565	1,592
<sup>2.5</sup> Securitized Term Auto Receivables Trust 2018-2	3.060%	2/25/21	353	354	<sup>6</sup> Barclays plc, 3M USD LIBOR + 1.380%	3.904%	5/16/24	1,005	989
<sup>2.5</sup> Securitized Term Auto Receivables Trust 2018-2	3.325%	8/25/22	550	559	BB&T Corp.	3.200%	9/3/21	665	677
<sup>2.5,6</sup> Seneca Park CLO Ltd. 2014-1, 3M USD LIBOR + 1.120%	3.708%	7/17/26	446	447	BB&T Corp.	2.750%	4/1/22	1,700	1,718
<sup>2.5</sup> SFAVE Commercial Mortgage Securities Trust 2015-5AVE	4.144%	1/5/43	700	726	BB&T Corp.	3.700%	6/5/25	1,385	1,474
<sup>2.5</sup> SoFi Consumer Loan Program 2018-2 Trust	2.930%	4/26/27	220	220	<sup>5</sup> BNP Paribas SA	2.950%	5/23/22	200	202
<sup>2.5</sup> SoFi Consumer Loan Program 2018-4 Trust	3.540%	11/26/27	629	636	BNP Paribas SA	3.250%	3/3/23	190	196
<sup>2.5</sup> SoFi Consumer Loan Program 2019-1 Trust	3.240%	2/25/28	767	775	<sup>5</sup> BNP Paribas SA	3.800%	1/10/24	1,170	1,214
<sup>2.5</sup> Springleaf Funding Trust 2015-B	3.480%	5/15/28	590	596	<sup>5</sup> BNP Paribas SA	3.375%	1/9/25	1,775	1,801
<sup>2.5</sup> START Ireland	4.089%	3/15/44	570	578	<sup>5</sup> BNP Paribas SA	3.500%	11/16/27	2,250	2,300
<sup>2.5,6</sup> Symphony CLO XIV Ltd., 3M USD LIBOR + 1.280%	3.877%	7/14/26	997	997	<sup>5</sup> BPCE SA	2.500%	7/15/19	1,400	1,400
<sup>2.5,6</sup> Thacher Park CLO Ltd., 3M USD LIBOR + 1.160%	3.751%	10/20/26	483	483	<sup>5</sup> BPCE SA	5.700%	10/22/23	270	295
<sup>5</sup> Toronto-Dominion Bank	2.500%	1/18/22	2,100	2,125	<sup>5</sup> BPCE SA	4.000%	4/15/24	775	823
<sup>2.5</sup> Towd Point Mortgage Trust 2016-3	2.250%	4/25/56	46	46	<sup>5</sup> BPCE SA	5.150%	7/21/24	1,260	1,357
<sup>2.5</sup> Trillium Credit Card Trust II 2019-2A	3.038%	1/26/24	1,250	1,267	<sup>5</sup> BPCE SA	3.500%	10/23/27	1,780	1,815
<sup>2</sup> Utility Debt Securitization Authority Series 2013T	3.435%	12/15/25	210	218	Branch Banking & Trust Co.	2.625%	1/15/22	1,250	1,256
<sup>2.5</sup> Vantage Data Centers Issuer, LLC 2018-1A	4.072%	2/16/43	483	489	<sup>7</sup> Canadian Imperial Bank of Commerce	0.000%	7/22/19	1,000	763
<sup>2</sup> Verizon Owner Trust 2018-A	3.230%	4/20/23	585	597	<sup>7</sup> Canadian Imperial Bank of Commerce	0.000%	7/26/19	1,999	1,524
<sup>2.5</sup> Verus Securitization Trust 2019-2	3.211%	4/25/59	492	497	<sup>6</sup> Canadian Imperial Bank of Commerce, 3M USD LIBOR + 0.720%	3.130%	6/16/22	1,565	1,575
<sup>2.5,6</sup> Voya CLO 2014-1 Ltd., 3M USD LIBOR + 0.990%	3.591%	4/18/31	515	509	Capital One Financial Corp.	2.500%	5/12/20	500	501
<b>Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost \$43,734)</b>				<b>44,140</b>	Capital One Financial Corp.	4.750%	7/15/21	400	418
<b>Corporate Bonds (21.9%)</b>					Capital One Financial Corp.	3.750%	4/24/24	1,305	1,369
<b>Finance (8.6%)</b>					Capital One Financial Corp.	3.200%	2/5/25	760	772
<b>Banking (7.2%)</b>					Citibank NA	3.050%	5/1/20	1,850	1,860
<sup>5</sup> ABN AMRO Bank NV	2.450%	6/4/20	623	624	Citigroup Inc.	2.500%	7/29/19	965	965
American Express Credit Corp.	2.250%	8/15/19	800	800	Citigroup Inc.	2.400%	2/18/20	800	800
American Express Credit Corp.	2.700%	3/3/22	1,505	1,522	Citigroup Inc.	4.500%	1/14/22	1,975	2,076
Banco Santander SA	3.125%	2/23/23	800	811	<sup>2</sup> Citigroup Inc.	3.520%	10/27/28	1,975	2,032
Banco Santander SA	3.848%	4/12/23	400	414	Citigroup Inc.	6.625%	6/15/32	2,000	2,574
Bank of America Corp.	3.300%	1/11/23	120	124	<sup>2</sup> Citigroup Inc.	3.878%	1/24/39	1,025	1,065
<sup>2</sup> Bank of America Corp.	2.816%	7/21/23	1,645	1,661	Citigroup Inc.	8.125%	7/15/39	101	161
Bank of America Corp.	3.004%	12/20/23	3,408	3,469	Commonwealth Bank of Australia	2.300%	3/12/20	655	655
Bank of America Corp.	4.000%	1/22/25	875	919	Compass Bank	2.750%	9/29/19	375	375
<sup>2</sup> Bank of America Corp.	3.559%	4/23/27	2,450	2,547	<sup>5</sup> Credit Agricole SA	3.750%	4/24/23	1,160	1,199
<sup>2</sup> Bank of America Corp.	3.593%	7/21/28	1,025	1,065	<sup>5</sup> Credit Agricole SA	3.250%	10/4/24	840	853
Bank of America Corp.	3.419%	12/20/28	512	527	Credit Suisse AG	3.000%	10/29/21	735	746
<sup>2</sup> Bank of America Corp.	4.271%	7/23/29	4,780	5,196	Credit Suisse AG	3.625%	9/9/24	250	263
<sup>2</sup> Bank of America Corp.	3.974%	2/7/30	1,895	2,025	<sup>5</sup> Credit Suisse Group AG	3.574%	1/9/23	550	560
Bank of America Corp.	5.875%	2/7/42	260	345	<sup>2.5</sup> Credit Suisse Group AG	4.207%	6/12/24	340	356
Bank of America Corp.	5.000%	1/21/44	1,000	1,211	<sup>2.5</sup> Credit Suisse Group AG	3.869%	1/12/29	305	314
<sup>2</sup> Bank of America Corp.	4.330%	3/15/50	2,235	2,495	<sup>5,6</sup> Credit Suisse Group AG, 3M USD LIBOR + 1.240%	3.676%	6/12/24	690	692
<sup>7</sup> Bank of Montreal	0.000%	7/5/19	1,000	763	Credit Suisse Group Funding				
Bank of Montreal	3.100%	4/13/21	1,290	1,309	Guernsey Ltd.	3.800%	9/15/22	1,335	1,383
Bank of New York Mellon Corp.	2.150%	2/24/20	1,580	1,578	Credit Suisse Group Funding				
Bank of New York Mellon Corp.	2.200%	8/16/23	460	458	Guernsey Ltd.	3.750%	3/26/25	3,470	3,607
Bank of New York Mellon Corp.	3.000%	2/24/25	720	738	<sup>5</sup> Danske Bank A/S	2.000%	9/8/21	1,120	1,102
<sup>6</sup> Bank of New York Mellon Corp., 3M USD LIBOR + 1.050%	3.633%	10/30/23	1,145	1,165	<sup>5</sup> Danske Bank A/S	5.000%	1/12/22	610	636
<sup>7</sup> Bank of Nova Scotia	0.000%	7/8/19	2,000	1,527	<sup>5</sup> Danske Bank A/S	3.875%	9/12/23	1,220	1,246
Bank of Nova Scotia	2.800%	7/21/21	750	758	<sup>5</sup> Danske Bank A/S	5.375%	1/12/24	795	856
					Deutsche Bank AG	2.700%	7/13/20	390	387
					Deutsche Bank AG	3.150%	1/22/21	1,110	1,102
					Deutsche Bank AG	4.250%	10/14/21	815	825
					Fifth Third Bank	2.875%	10/1/21	425	430
					Fifth Third Bank	3.850%	3/15/26	830	874
					Goldman Sachs Group Inc.	5.375%	3/15/20	405	413
					Goldman Sachs Group Inc.	2.600%	4/23/20	170	170
					Goldman Sachs Group Inc.	5.250%	7/27/21	865	914
					Goldman Sachs Group Inc.	5.750%	1/24/22	360	388
					<sup>2</sup> Goldman Sachs Group Inc.	2.876%	10/31/22	1,795	1,804
					Goldman Sachs Group Inc.	3.625%	1/22/23	1,980	2,052
					<sup>2</sup> Goldman Sachs Group Inc.	3.272%	9/29/25	1,205	1,229
					Goldman Sachs Group Inc.	3.500%	11/16/26	2,000	2,047
					Goldman Sachs Group Inc.	3.850%	1/26/27	740	772

## Balanced Portfolio

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)			Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
2	Goldman Sachs Group Inc.	3.691%	6/5/28	810	834	5	UBS AG	2.200%	6/8/20	750	749
2	Goldman Sachs Group Inc.	3.814%	4/23/29	3,065	3,182	5	UBS Group Funding Jersey Ltd.	2.950%	9/24/20	1,160	1,168
2	Goldman Sachs Group Inc.	4.223%	5/1/29	2,630	2,810	5	UBS Group Funding Jersey Ltd.	2.650%	2/1/22	1,250	1,256
	Goldman Sachs Group Inc.	6.750%	10/1/37	835	1,085		US Bancorp	2.625%	1/24/22	1,305	1,320
5	HSBC Bank plc	4.750%	1/19/21	1,700	1,759		US Bancorp	3.700%	1/30/24	1,560	1,652
	HSBC Holdings plc	3.400%	3/8/21	1,535	1,557		Wachovia Corp.	7.500%	4/15/35	1,000	1,342
	HSBC Holdings plc	4.000%	3/30/22	2,395	2,493		Wells Fargo & Co.	3.000%	1/22/21	505	509
	HSBC Holdings plc	3.600%	5/25/23	1,600	1,663		Wells Fargo & Co.	3.500%	3/8/22	640	658
2	HSBC Holdings plc	4.041%	3/13/28	890	932		Wells Fargo & Co.	3.069%	1/24/23	195	198
2	HSBC Holdings plc	4.583%	6/19/29	1,675	1,829		Wells Fargo & Co.	3.450%	2/13/23	735	754
	HSBC Holdings plc	6.500%	5/2/36	1,000	1,293		Wells Fargo & Co.	4.480%	1/16/24	1,199	1,279
	HSBC Holdings plc	6.100%	1/14/42	375	513		Wells Fargo & Co.	3.750%	1/24/24	1,560	1,638
	HSBC Holdings plc	5.250%	3/14/44	440	514		Wells Fargo & Co.	3.000%	2/19/25	890	900
6	HSBC Holdings plc, 3M USD LIBOR + 1.000%	3.520%	5/18/24	730	729		Wells Fargo & Co.	3.550%	9/29/25	860	896
	HSBC USA Inc.	2.350%	3/5/20	2,775	2,776		Wells Fargo & Co.	3.000%	4/22/26	1,045	1,057
	HSBC USA Inc.	3.500%	6/23/24	620	644		Wells Fargo & Co.	4.100%	6/3/26	340	359
	Huntington Bancshares Inc.	3.150%	3/14/21	800	810	2	Wells Fargo & Co.	3.000%	10/23/26	170	171
	Huntington National Bank	2.400%	4/1/20	1,160	1,159		Wells Fargo & Co.	3.196%	6/17/27	1,705	1,725
	ING Groep NV	3.150%	3/29/22	365	372		Wells Fargo & Co.	5.606%	1/15/44	2,276	2,839
	ING Groep NV	3.950%	3/29/27	2,695	2,822		Wells Fargo & Co.	4.900%	11/17/45	515	596
	JPMorgan Chase & Co.	4.350%	8/15/21	1,862	1,935		Wells Fargo & Co.	4.750%	12/7/46	2,070	2,355
	JPMorgan Chase & Co.	4.500%	1/24/22	495	521		Westpac Banking Corp.	2.300%	5/26/20	630	631
	JPMorgan Chase & Co.	3.250%	9/23/22	970	996						
	JPMorgan Chase & Co.	3.375%	5/1/23	875	899		<b>Brokerage (0.0%)</b>				
	JPMorgan Chase & Co.	3.875%	2/1/24	800	849		Ameriprise Financial Inc.	5.300%	3/15/20	305	311
	JPMorgan Chase & Co.	3.900%	7/15/25	2,270	2,423		Charles Schwab Corp.	3.200%	3/2/27	545	562
	JPMorgan Chase & Co.	4.125%	12/15/26	765	816						
	JPMorgan Chase & Co.	4.250%	10/1/27	2,295	2,476		<b>Insurance (1.2%)</b>				
2	JPMorgan Chase & Co.	4.452%	12/5/29	2,100	2,328	5	Aetna Inc.	2.800%	6/15/23	680	682
	JPMorgan Chase & Co.	5.400%	1/6/42	750	950		AIA Group Ltd.	3.600%	4/9/29	1,475	1,543
2	JPMorgan Chase & Co.	3.964%	11/15/48	6,150	6,457		American International Group Inc.	4.250%	3/15/29	1,040	1,113
5	Macquarie Bank Ltd.	2.400%	1/21/20	330	330		Anthem Inc.	3.300%	1/15/23	1,100	1,132
2.5	Macquarie Group Ltd.	4.150%	3/27/24	1,375	1,433		Anthem Inc.	3.650%	12/1/27	750	778
	Manufacturers & Traders Trust Co.	2.100%	2/6/20	495	493		Anthem Inc.	4.101%	3/1/28	1,140	1,215
	Manufacturers & Traders Trust Co.	2.900%	2/6/25	685	698		Anthem Inc.	4.650%	8/15/44	426	464
	Morgan Stanley	5.625%	9/23/19	645	650		Anthem Inc.	4.375%	12/1/47	625	662
	Morgan Stanley	5.750%	1/25/21	1,740	1,827		Berkshire Hathaway Inc.	2.750%	3/15/23	1,050	1,067
	Morgan Stanley	2.500%	4/21/21	1,175	1,177		Berkshire Hathaway Inc.	3.125%	3/15/26	715	740
	Morgan Stanley	2.625%	11/17/21	800	805		Chubb INA Holdings Inc.	2.300%	11/3/20	170	170
	Morgan Stanley	2.750%	5/19/22	1,710	1,726		Chubb INA Holdings Inc.	3.350%	5/15/24	555	583
	Morgan Stanley	3.700%	10/23/24	750	790		Chubb INA Holdings Inc.	4.350%	11/3/45	800	928
	Morgan Stanley	3.125%	7/27/26	1,345	1,366	5	Cigna Holding Co.	3.250%	4/15/25	880	893
	Morgan Stanley	6.250%	8/9/26	3,000	3,607		Five Corners Funding Trust	4.419%	11/15/23	210	225
	Morgan Stanley	3.625%	1/20/27	1,250	1,306	5	Liberty Mutual Group Inc.	4.250%	6/15/23	80	84
2	Morgan Stanley	3.772%	1/24/29	3,910	4,105	5	Liberty Mutual Group Inc.	4.569%	2/1/29	280	307
	Morgan Stanley	4.300%	1/27/45	850	930		Loews Corp.	2.625%	5/15/23	440	443
2.5	Nationwide Building Society	3.622%	4/26/23	680	693		Marsh & McLennan Cos. Inc.	4.375%	3/15/29	675	744
5	NBK SPC Ltd.	2.750%	5/30/22	1,530	1,526		Marsh & McLennan Cos. Inc.	4.900%	3/15/49	265	316
	PNC Bank NA	3.300%	10/30/24	460	478	2.5	Massachusetts Mutual Life Insurance Co.	7.625%	11/15/23	2,000	2,317
	PNC Bank NA	2.950%	2/23/25	1,105	1,128		MetLife Inc.	3.600%	4/10/24	580	615
	PNC Bank NA	4.200%	11/1/25	255	276		MetLife Inc.	4.125%	8/13/42	145	156
	PNC Bank NA	3.100%	10/25/27	1,165	1,198		MetLife Inc.	4.875%	11/13/43	530	625
	PNC Bank NA	3.250%	1/22/28	1,675	1,747	5	Metropolitan Life Global Funding I	3.450%	10/9/21	810	829
	PNC Financial Services Group Inc.	3.900%	4/29/24	580	610	5	Metropolitan Life Global Funding I	2.650%	4/8/22	340	344
7	Royal Bank of Canada	0.000%	7/16/19	409	312	5	Metropolitan Life Global Funding I	3.450%	12/18/26	640	670
7	Royal Bank of Canada	0.000%	7/19/19	1,000	763	5	Metropolitan Life Global Funding I	3.000%	9/19/27	1,165	1,190
	Royal Bank of Canada	2.750%	2/1/22	1,195	1,213	5	New York Life Global Funding	2.900%	1/17/24	810	829
	Santander Holdings USA Inc.	2.650%	4/17/20	580	580	5	New York Life Insurance Co.	5.875%	5/15/33	2,100	2,706
	Santander Holdings USA Inc.	3.700%	3/28/22	915	935	5	New York Life Insurance Co.	4.450%	5/15/69	435	479
	Santander Holdings USA Inc.	3.400%	1/18/23	605	613	5	Northwestern Mutual Life Insurance Co.	3.850%	9/30/47	656	674
5	Skandinaviska Enskilda Banken AB	2.450%	5/27/20	1,600	1,603	5	Teachers Insurance & Annuity Assn. of America	4.900%	9/15/44	875	1,023
5	Societe Generale SA	3.250%	1/12/22	1,015	1,026	5	Teachers Insurance & Annuity Association of America	4.270%	5/15/47	1,145	1,235
2	State Street Corp.	2.653%	5/15/23	840	848		UnitedHealth Group Inc.	3.875%	10/15/20	601	611
	SunTrust Bank	3.300%	5/15/26	340	346		UnitedHealth Group Inc.	2.875%	3/15/22	27	27
	Svenska Handelsbanken AB	1.875%	9/7/21	1,050	1,039		UnitedHealth Group Inc.	2.875%	3/15/23	1,175	1,198
	Synchrony Bank	3.650%	5/24/21	1,290	1,313		UnitedHealth Group Inc.	3.100%	3/15/26	430	440
7	Toronto-Dominion Bank	0.000%	7/17/19	2,500	1,907						
7	Toronto-Dominion Bank	0.000%	7/19/19	1,000	763						
	Toronto-Dominion Bank	2.500%	12/14/20	985	990						

## Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
UnitedHealth Group Inc.	3.850%	6/15/28	1,190	1,285
UnitedHealth Group Inc.	4.625%	7/15/35	240	275
UnitedHealth Group Inc.	4.250%	3/15/43	1,600	1,751
UnitedHealth Group Inc.	4.750%	7/15/45	760	900
UnitedHealth Group Inc.	4.200%	1/15/47	215	233
UnitedHealth Group Inc.	4.250%	6/15/48	880	974
<b>Real Estate Investment Trusts (0.2%)</b>				
AvalonBay Communities Inc.	3.625%	10/1/20	520	526
Boston Properties LP	3.125%	9/1/23	355	363
Boston Properties LP	3.800%	2/1/24	45	47
Realty Income Corp.	4.650%	8/1/23	640	691
Simon Property Group LP	3.750%	2/1/24	90	95
Simon Property Group LP	3.375%	10/1/24	275	286
WEA Finance LLC	4.125%	9/20/28	590	625
WEA Finance LLC	4.625%	9/20/48	755	821
WEA Finance LLC / Westfield UK & Europe Finance plc	2.700%	9/17/19	1,330	1,330
				<b>259,995</b>
<b>Industrial (10.7%)</b>				
<b>Basic Industry (0.0%)</b>				
International Paper Co.	4.350%	8/15/48	1,255	1,223
<b>Capital Goods (0.7%)</b>				
BAE Systems Holdings Inc.	2.850%	12/15/20	160	160
BAE Systems Holdings Inc.	3.850%	12/15/25	1,085	1,132
Boeing Co.	5.875%	2/15/40	175	229
Caterpillar Financial Services Corp.	2.625%	3/1/23	1,360	1,373
Caterpillar Inc.	3.900%	5/27/21	1,170	1,207
Caterpillar Inc.	2.600%	6/26/22	705	714
Caterpillar Inc.	3.400%	5/15/24	810	849
General Dynamics Corp.	2.875%	5/11/20	1,505	1,512
General Dynamics Corp.	3.875%	7/15/21	355	366
General Electric Co.	2.700%	10/9/22	210	210
General Electric Co.	3.100%	1/9/23	360	364
Honeywell International Inc.	4.250%	3/1/21	1,002	1,036
Illinois Tool Works Inc.	3.500%	3/1/24	1,295	1,363
John Deere Capital Corp.	3.450%	3/13/25	1,200	1,264
Lockheed Martin Corp.	2.900%	3/1/25	610	627
Lockheed Martin Corp.	4.500%	5/15/36	211	242
Lockheed Martin Corp.	4.700%	5/15/46	376	454
Lockheed Martin Corp.	4.090%	9/15/52	144	159
Parker-Hannifin Corp.	3.250%	6/14/29	490	508
Parker-Hannifin Corp.	4.450%	11/21/44	450	499
Siemens Financieringsmaatschappij NV	2.900%	5/27/22	1,050	1,065
Siemens Financieringsmaatschappij NV	3.125%	3/16/24	1,680	1,736
Siemens Financieringsmaatschappij NV	4.400%	5/27/45	800	898
Stanley Black & Decker Inc.	4.850%	11/15/48	685	809
United Technologies Corp.	3.100%	6/1/22	535	547
United Technologies Corp.	4.125%	11/16/28	1,125	1,230
United Technologies Corp.	6.050%	6/1/36	675	865
United Technologies Corp.	4.450%	11/16/38	275	307
United Technologies Corp.	4.500%	6/1/42	787	887
United Technologies Corp.	3.750%	11/1/46	163	165
<b>Communication (1.5%)</b>				
America Movil SAB de CV	3.125%	7/16/22	1,880	1,912
America Movil SAB de CV	3.625%	4/22/29	780	809
America Movil SAB de CV	6.125%	3/30/40	390	508
American Tower Corp.	3.450%	9/15/21	1,125	1,148
American Tower Corp.	5.000%	2/15/24	80	88
American Tower Corp.	4.400%	2/15/26	450	484
AT&T Inc.	2.450%	6/30/20	225	225
AT&T Inc.	4.600%	2/15/21	100	103
AT&T Inc.	3.600%	7/15/25	625	648
AT&T Inc.	4.900%	8/15/37	130	140
AT&T Inc.	4.850%	3/1/39	846	903
CBS Corp.	4.300%	2/15/21	675	692
Comcast Corp.	3.600%	3/1/24	2,900	3,059

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Comcast Corp.	3.375%	2/15/25	70	73
Comcast Corp.	2.350%	1/15/27	540	526
Comcast Corp.	4.250%	1/15/33	1,032	1,156
Comcast Corp.	4.200%	8/15/34	730	807
Comcast Corp.	5.650%	6/15/35	110	137
Comcast Corp.	4.400%	8/15/35	877	976
Comcast Corp.	6.500%	11/15/35	115	156
Comcast Corp.	6.400%	5/15/38	27	36
Comcast Corp.	4.600%	10/15/38	1,335	1,519
Comcast Corp.	4.650%	7/15/42	1,290	1,482
Comcast Corp.	4.500%	1/15/43	500	557
Comcast Corp.	4.750%	3/1/44	876	1,017
Comcast Corp.	4.600%	8/15/45	1,198	1,352
Comcast Corp.	3.969%	11/1/47	252	264
Comcast Corp.	4.000%	3/1/48	345	360
Comcast Corp.	4.700%	10/15/48	1,320	1,534
Comcast Corp.	3.999%	11/1/49	602	629
Comcast Corp.	4.049%	11/1/52	187	197
Comcast Corp.	4.950%	10/15/58	1,020	1,232
Cox Communications Inc.	3.250%	12/15/22	795	811
Cox Communications Inc.	2.950%	6/30/23	145	146
Cox Communications Inc.	3.150%	8/15/24	181	184
Cox Communications Inc.	4.800%	2/1/35	1,540	1,565
Cox Communications Inc.	6.450%	12/1/36	45	53
Cox Communications Inc.	4.600%	8/15/47	125	128
Crown Castle International Corp.	3.650%	9/1/27	285	293
Crown Castle International Corp.	3.800%	2/15/28	235	243
Fox Corp.	5.576%	1/25/49	275	335
NBCUniversal Media LLC	4.375%	4/1/21	600	622
NBCUniversal Media LLC	2.875%	1/15/23	240	245
NBCUniversal Media LLC	4.450%	1/15/43	309	337
Orange SA	4.125%	9/14/21	1,740	1,810
Orange SA	9.000%	3/1/31	530	804
SK Telecom Co. Ltd.	3.750%	4/16/23	385	399
Sky Ltd.	2.625%	9/16/19	975	975
Sky Ltd.	3.750%	9/16/24	1,435	1,524
Sprint Spectrum Co LLC / Sprint Spectrum Co II LLC / Sprint Spectrum Co III LLC	4.738%	3/20/25	1,300	1,349
Time Warner Entertainment Co. LP	8.375%	3/15/23	95	112
Verizon Communications Inc.	4.812%	3/15/39	2,406	2,758
Verizon Communications Inc.	4.750%	11/1/41	290	326
Verizon Communications Inc.	4.862%	8/21/46	1,151	1,339
Verizon Communications Inc.	5.012%	4/15/49	647	772
Verizon Communications Inc.	4.672%	3/15/55	274	311
Vodafone Group plc	5.000%	5/30/38	50	54
Vodafone Group plc	5.250%	5/30/48	1,260	1,393
Walt Disney Co.	3.000%	9/15/22	245	250
Walt Disney Co.	4.125%	6/1/44	560	636
<b>Consumer Cyclical (1.2%)</b>				
Alibaba Group Holding Ltd.	3.600%	11/28/24	1,065	1,110
Alibaba Group Holding Ltd.	3.400%	12/6/27	3,470	3,511
Alimentation Couche-Tard Inc.	3.550%	7/26/27	2,450	2,492
Amazon.com Inc.	2.500%	11/29/22	885	893
Amazon.com Inc.	2.800%	8/22/24	715	736
Amazon.com Inc.	4.800%	12/5/34	995	1,223
Amazon.com Inc.	4.950%	12/5/44	580	730
Amazon.com Inc.	4.250%	8/22/57	1,385	1,592
AutoZone Inc.	3.700%	4/15/22	1,371	1,413
BMW US Capital LLC	2.000%	4/1/21	585	581
BMW US Capital LLC	2.250%	9/15/23	2,500	2,463
BMW US Capital LLC	2.800%	4/1/26	151	151
Daimler Finance North America LLC	2.250%	7/31/19	1,575	1,574
Daimler Finance North America LLC	2.200%	5/5/20	470	470
Daimler Finance North America LLC	2.450%	5/18/20	155	155
Daimler Finance North America LLC	2.300%	2/12/21	945	941
Daimler Finance North America LLC	3.250%	8/1/24	160	163
Ford Motor Credit Co. LLC	3.157%	8/4/20	710	713
General Motors Financial Co. Inc.	3.550%	4/9/21	455	460



## Balanced Portfolio

			Face Amount	Market Value*				Face Amount	Market Value*		
	Coupon	Maturity Date	(\$000)	(\$000)		Coupon	Maturity Date	(\$000)	(\$000)		
	General Motors Financial Co. Inc.	3.950%	4/13/24	1,570	1,601		Celgene Corp.	2.750%	2/15/23	138	139
	Home Depot Inc.	2.700%	4/1/23	720	735		Celgene Corp.	3.250%	2/20/23	239	245
	Home Depot Inc.	3.900%	12/6/28	290	319		Celgene Corp.	4.000%	8/15/23	45	48
	Home Depot Inc.	4.400%	3/15/45	780	896	5	Cigna Corp.	4.375%	10/15/28	515	553
	Home Depot Inc.	4.500%	12/6/48	345	404	5	Cigna Corp.	4.800%	8/15/38	730	783
5	Hyundai Capital America	2.550%	4/3/20	790	789	5	Cigna Corp.	4.900%	12/15/48	497	540
5.6	Hyundai Capital America, 3M USD						Coca-Cola European Partners plc	3.500%	9/15/20	500	506
	LIBOR + 0.940%	3.529%	7/8/21	1,400	1,401		Coca-Cola Femsa SAB de CV	3.875%	11/26/23	850	891
	Lowe's Cos. Inc.	3.100%	5/3/27	1,300	1,312		Colgate-Palmolive Co.	7.600%	5/19/25	480	609
	Lowe's Cos. Inc.	6.500%	3/15/29	334	418		CommonSpirit Health	2.950%	11/1/22	535	540
	Lowe's Cos. Inc.	4.550%	4/5/49	240	257		CommonSpirit Health	4.200%	8/1/23	535	563
	McDonald's Corp.	2.625%	1/15/22	195	197		Conagra Brands Inc.	4.600%	11/1/25	220	239
	McDonald's Corp.	3.250%	6/10/24	140	146		Conagra Brands Inc.	5.300%	11/1/38	655	711
	McDonald's Corp.	4.875%	12/9/45	1,160	1,334		Constellation Brands Inc.	2.700%	5/9/22	65	65
	Starbucks Corp.	4.500%	11/15/48	1,000	1,088		CVS Health Corp.	2.750%	12/1/22	965	968
5	Volkswagen Group of America						CVS Health Corp.	4.875%	7/20/35	315	330
	Finance LLC	2.450%	11/20/19	440	440		CVS Health Corp.	5.125%	7/20/45	1,380	1,470
	Walmart Inc.	2.550%	4/11/23	1,250	1,267		CVS Health Corp.	5.050%	3/25/48	615	651
	Walmart Inc.	3.550%	6/26/25	1,605	1,712		Diageo Capital plc	2.625%	4/29/23	1,230	1,245
	Walmart Inc.	3.625%	12/15/47	380	406		Diageo Investment Corp.	2.875%	5/11/22	525	534
							Dignity Health	3.812%	11/1/24	560	590
	Consumer Noncyclical (3.8%)						Dignity Health California	2.637%	11/1/19	140	140
	Allergan Funding SCS	3.450%	3/15/22	450	459		Eli Lilly & Co.	3.700%	3/1/45	635	660
	Allergan Funding SCS	3.800%	3/15/25	575	596	5	EMD Finance LLC	2.950%	3/19/22	605	610
	Allergan Funding SCS	4.850%	6/15/44	450	466	5	Forest Laboratories Inc.	4.875%	2/15/21	268	276
	Altria Group Inc.	4.750%	5/5/21	590	614		Gilead Sciences Inc.	2.550%	9/1/20	615	617
	Altria Group Inc.	2.850%	8/9/22	455	459		Gilead Sciences Inc.	3.700%	4/1/24	1,010	1,066
	Altria Group Inc.	4.800%	2/14/29	755	813		Gilead Sciences Inc.	3.500%	2/1/25	560	587
	Altria Group Inc.	4.500%	5/2/43	245	233		Gilead Sciences Inc.	4.500%	2/1/45	825	903
	Altria Group Inc.	3.875%	9/16/46	625	554		Gilead Sciences Inc.	4.750%	3/1/46	195	220
	AmerisourceBergen Corp.	3.500%	11/15/21	1,310	1,336		GlaxoSmithKline Capital Inc.	2.800%	3/18/23	385	392
	Amgen Inc.	3.875%	11/15/21	310	319		GlaxoSmithKline Capital Inc.	5.375%	4/15/34	2,000	2,515
	Amgen Inc.	5.150%	11/15/41	945	1,082	5	Imperial Tobacco Finance plc	3.750%	7/21/22	1,680	1,728
	Anheuser-Busch Cos. LLC / Anheuser-						Kaiser Foundation Hospitals	3.500%	4/1/22	285	295
	Busch InBev Worldwide Inc.	4.700%	2/1/36	2,315	2,526		Kaiser Foundation Hospitals	3.150%	5/1/27	490	503
	Anheuser-Busch Cos. LLC / Anheuser-						Kaiser Foundation Hospitals	4.875%	4/1/42	365	436
	Busch InBev Worldwide Inc.	4.900%	2/1/46	1,940	2,155		Kraft Heinz Foods Co.	3.000%	6/1/26	530	515
	Anheuser-Busch InBev Finance Inc.	3.300%	2/1/23	1,798	1,854		Kraft Heinz Foods Co.	5.000%	7/15/35	230	242
	Anheuser-Busch InBev Worldwide Inc.	2.500%	7/15/22	3,780	3,806		Kraft Heinz Foods Co.	4.375%	6/1/46	2,485	2,348
	Anheuser-Busch InBev Worldwide Inc.	3.750%	7/15/42	520	496		Kroger Co.	3.850%	8/1/23	270	283
	Anheuser-Busch InBev Worldwide Inc.	4.600%	4/15/48	395	420		Kroger Co.	4.000%	2/1/24	540	568
	Archer-Daniels-Midland Co.	4.500%	3/15/49	970	1,126		McKesson Corp.	2.700%	12/15/22	195	195
	Ascension Health	3.945%	11/15/46	365	394		McKesson Corp.	2.850%	3/15/23	190	191
2	Ascension Health	4.847%	11/15/53	55	68		McKesson Corp.	3.796%	3/15/24	305	320
	AstraZeneca plc	1.950%	9/18/19	390	390		Medtronic Inc.	3.150%	3/15/22	1,690	1,736
	AstraZeneca plc	2.375%	11/16/20	1,180	1,180		Medtronic Inc.	3.625%	3/15/24	270	286
	AstraZeneca plc	4.000%	1/17/29	2,345	2,556		Medtronic Inc.	3.500%	3/15/25	1,271	1,353
	AstraZeneca plc	6.450%	9/15/37	615	827		Memorial Sloan-Kettering Cancer				
	BAT Capital Corp.	3.557%	8/15/27	1,875	1,865		Center	4.125%	7/1/52	310	347
5	BAT International Finance plc	2.750%	6/15/20	550	551		Memorial Sloan-Kettering Cancer				
5	Bayer US Finance II LLC	4.250%	12/15/25	2,100	2,217		Center	4.200%	7/1/55	280	317
5	Bayer US Finance LLC	2.375%	10/8/19	200	200		Merck & Co. Inc.	2.350%	2/10/22	790	796
5	Bayer US Finance LLC	3.000%	10/8/21	1,980	1,994		Merck & Co. Inc.	2.800%	5/18/23	1,175	1,205
5	Bayer US Finance LLC	3.375%	10/8/24	815	822		Merck & Co. Inc.	2.750%	2/10/25	1,210	1,242
	Biogen Inc.	2.900%	9/15/20	550	552		Merck & Co. Inc.	3.400%	3/7/29	1,470	1,564
	Boston Scientific Corp.	4.000%	3/1/29	195	210		Merck & Co. Inc.	4.150%	5/18/43	760	846
5	Bristol-Myers Squibb Co.	3.400%	7/26/29	885	923		Merck & Co. Inc.	4.000%	3/7/49	1,915	2,122
5	Bristol-Myers Squibb Co.	4.125%	6/15/39	505	547		Mercy Health	4.302%	7/1/28	570	630
5	Bristol-Myers Squibb Co.	4.250%	10/26/49	775	853		Molson Coors Brewing Co.	3.500%	5/1/22	690	708
	Cardinal Health Inc.	2.400%	11/15/19	625	624		Mylan NV	3.950%	6/15/26	1,675	1,616
	Cardinal Health Inc.	3.200%	3/15/23	1,065	1,082		New York & Presbyterian Hospital	4.024%	8/1/45	635	704
	Cardinal Health Inc.	3.079%	6/15/24	320	322		Novartis Capital Corp.	3.400%	5/6/24	415	438
	Cardinal Health Inc.	3.500%	11/15/24	580	595		Novartis Capital Corp.	4.400%	5/6/44	640	745
	Cardinal Health Inc.	4.500%	11/15/44	665	611		Partners Healthcare System				
5	Cargill Inc.	4.307%	5/14/21	2,092	2,169		Massachusetts	3.443%	7/1/21	50	51
5	Cargill Inc.	6.875%	5/1/28	645	808		PepsiCo Inc.	2.750%	3/5/22	670	684
5	Cargill Inc.	4.760%	11/23/45	635	746		PepsiCo Inc.	2.375%	10/6/26	1,945	1,935
2	Catholic Health Initiatives Colorado	4.350%	11/1/42	496	497		PepsiCo Inc.	4.000%	3/5/42	845	930
	Celgene Corp.	3.550%	8/15/22	662	685		PepsiCo Inc.	3.450%	10/6/46	1,215	1,247

Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Pfizer Inc.	3.000%	6/15/23	755	777
Pfizer Inc.	3.000%	12/15/26	725	746
Pfizer Inc.	3.450%	3/15/29	2,165	2,287
Pfizer Inc.	4.100%	9/15/38	1,505	1,658
Philip Morris International Inc.	4.500%	3/26/20	250	254
Philip Morris International Inc.	4.125%	5/17/21	1,025	1,058
Philip Morris International Inc.	2.500%	8/22/22	575	577
Philip Morris International Inc.	2.625%	3/6/23	1,150	1,158
Philip Morris International Inc.	3.375%	8/11/25	424	440
Philip Morris International Inc.	4.875%	11/15/43	145	164
2 Procter & Gamble - Esop	9.360%	1/1/21	456	490
Providence St. Joseph Health Obligated Group	2.746%	10/1/26	490	489
2 Providence St. Joseph Health Obligated Group	3.930%	10/1/48	325	344
5 Roche Holdings Inc.	2.875%	9/29/21	850	862
5 Roche Holdings Inc.	2.375%	1/28/27	1,650	1,636
Sanofi	4.000%	3/29/21	1,130	1,164
5 Sigma Alimentos SA de CV	4.125%	5/2/26	510	516
5 South Carolina Electric & Gas Co.	3.250%	6/7/22	1,480	1,500
5 South Carolina Electric & Gas Co.	3.500%	6/15/22	235	240
SSM Health Care Corp.	3.823%	6/1/27	940	997
Teva Pharmaceutical Finance Netherlands III BV	2.800%	7/21/23	980	850
Unilever Capital Corp.	4.250%	2/10/21	2,805	2,896
<b>Energy (1.0%)</b>				
5 BG Energy Capital plc	4.000%	10/15/21	555	574
5 BG Energy Capital plc	5.125%	10/15/41	600	706
BP Capital Markets America Inc.	4.500%	10/1/20	400	411
BP Capital Markets America Inc.	3.245%	5/6/22	650	668
BP Capital Markets plc	2.315%	2/13/20	160	160
BP Capital Markets plc	3.062%	3/17/22	1,100	1,124
BP Capital Markets plc	2.500%	11/6/22	500	503
BP Capital Markets plc	3.994%	9/26/23	420	447
BP Capital Markets plc	3.814%	2/10/24	1,700	1,801
BP Capital Markets plc	3.506%	3/17/25	1,280	1,344
Chevron Corp.	3.191%	6/24/23	1,235	1,281
ConocoPhillips Co.	4.950%	3/15/26	115	131
Dominion Energy Gas Holdings LLC	3.550%	11/1/23	470	486
Dominion Energy Gas Holdings LLC	4.800%	11/1/43	125	142
Dominion Energy Gas Holdings LLC	4.600%	12/15/44	1,603	1,798
Energy Transfer Operating LP	5.250%	4/15/29	1,375	1,532
Enterprise Products Operating LLC	4.250%	2/15/48	730	749
Exxon Mobil Corp.	2.726%	3/1/23	320	327
Exxon Mobil Corp.	3.043%	3/1/26	225	233
Exxon Mobil Corp.	4.114%	3/1/46	320	366
Noble Energy Inc.	4.150%	12/15/21	425	438
Occidental Petroleum Corp.	2.700%	2/15/23	250	251
Occidental Petroleum Corp.	3.400%	4/15/26	240	244
5 Schlumberger Holdings Corp.	3.900%	5/17/28	807	838
5 Schlumberger Investment SA	2.400%	8/1/22	630	630
Schlumberger Investment SA	3.650%	12/1/23	1,120	1,176
Shell International Finance BV	4.125%	5/11/35	1,130	1,248
Shell International Finance BV	5.500%	3/25/40	345	445
Shell International Finance BV	4.375%	5/11/45	2,500	2,863
Suncor Energy Inc.	5.950%	12/1/34	500	641
Sunoco Logistics Partners Operations LP	4.400%	4/1/21	1,225	1,260
Total Capital International SA	2.700%	1/25/23	885	899
Total Capital International SA	3.750%	4/10/24	1,400	1,491
TransCanada PipeLines Ltd.	3.800%	10/1/20	1,220	1,237
TransCanada PipeLines Ltd.	4.875%	1/15/26	1,255	1,384
<b>Other Industrial (0.1%)</b>				
2 Johns Hopkins University	4.083%	7/1/53	690	762
5 SBA Tower Trust	3.168%	4/11/22	1,330	1,345
5 SBA Tower Trust	3.448%	3/15/23	705	720
2.5 SBA Tower Trust	2.898%	10/15/44	1,205	1,206

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>Technology (1.9%)</b>				
Apple Inc.	3.000%	2/9/24	620	640
Apple Inc.	3.450%	5/6/24	1,000	1,057
Apple Inc.	2.850%	5/11/24	1,225	1,260
Apple Inc.	2.750%	1/13/25	590	603
Apple Inc.	3.250%	2/23/26	1,020	1,066
Apple Inc.	2.450%	8/4/26	1,170	1,167
Apple Inc.	3.350%	2/9/27	1,545	1,620
Apple Inc.	3.200%	5/11/27	1,065	1,110
Apple Inc.	2.900%	9/12/27	2,250	2,301
Apple Inc.	3.850%	5/4/43	430	456
Apple Inc.	4.450%	5/6/44	120	138
Apple Inc.	3.850%	8/4/46	985	1,045
Broadcom Corp. / Broadcom Cayman Finance Ltd.	3.625%	1/15/24	1,380	1,393
Cisco Systems Inc.	2.500%	9/20/26	431	435
Fiserv Inc.	3.200%	7/1/26	655	668
Intel Corp.	2.875%	5/11/24	800	821
Intel Corp.	4.100%	5/19/46	1,360	1,472
International Business Machines Corp.	3.375%	8/1/23	1,750	1,809
International Business Machines Corp.	3.000%	5/15/24	2,500	2,568
International Business Machines Corp.	3.300%	5/15/26	4,500	4,653
International Business Machines Corp.	3.500%	5/15/29	2,975	3,097
International Business Machines Corp.	5.875%	11/29/32	1,010	1,270
Microsoft Corp.	3.625%	12/15/23	500	531
Microsoft Corp.	2.875%	2/6/24	1,385	1,434
Microsoft Corp.	2.700%	2/12/25	760	779
Microsoft Corp.	3.125%	11/3/25	845	889
Microsoft Corp.	2.400%	8/8/26	1,890	1,899
Microsoft Corp.	3.500%	2/12/35	605	645
Microsoft Corp.	3.450%	8/8/36	1,725	1,825
Microsoft Corp.	4.100%	2/6/37	1,225	1,396
Microsoft Corp.	4.450%	11/3/45	380	456
Microsoft Corp.	3.700%	8/8/46	1,615	1,752
Microsoft Corp.	4.250%	2/6/47	2,500	2,961
Oracle Corp.	2.800%	7/8/21	375	380
Oracle Corp.	2.500%	5/15/22	1,210	1,222
Oracle Corp.	2.950%	11/15/24	2,190	2,255
Oracle Corp.	2.950%	5/15/25	355	365
Oracle Corp.	3.250%	11/15/27	3,065	3,202
Oracle Corp.	4.000%	11/15/47	895	957
QUALCOMM Inc.	2.600%	1/30/23	705	706
QUALCOMM Inc.	2.900%	5/20/24	1,020	1,034
5 Tencent Holdings Ltd.	3.575%	4/11/26	200	204
5 Tencent Holdings Ltd.	3.595%	1/19/28	2,495	2,545
5 Tencent Holdings Ltd.	3.975%	4/11/29	925	963
<b>Transportation (0.5%)</b>				
Burlington Northern Santa Fe LLC	3.000%	3/15/23	565	579
Burlington Northern Santa Fe LLC	3.850%	9/1/23	1,630	1,721
Burlington Northern Santa Fe LLC	3.250%	6/15/27	220	231
2 Continental Airlines 2007-1 Class A Pass Through Trust	5.983%	10/19/23	627	663
CSX Corp.	4.300%	3/1/48	445	477
5 ERAC USA Finance LLC	2.350%	10/15/19	610	610
5 ERAC USA Finance LLC	4.500%	8/16/21	325	338
5 ERAC USA Finance LLC	3.300%	10/15/22	40	41
5 ERAC USA Finance LLC	7.000%	10/15/37	1,150	1,555
5 ERAC USA Finance LLC	5.625%	3/15/42	340	402
2 Federal Express Corp. 1998 Pass Through Trust	6.720%	1/15/22	443	463
FedEx Corp.	2.700%	4/15/23	255	257
FedEx Corp.	5.100%	1/15/44	160	176
Kansas City Southern	4.950%	8/15/45	480	532
5 Penske Truck Leasing Co. LP / PTL Finance Corp.	3.450%	7/1/24	465	479
5 Penske Truck Leasing Co. LP / PTL Finance Corp.	3.950%	3/10/25	1,435	1,503

Balanced Portfolio

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
5	Penske Truck Leasing Co. LP / PTL Finance Corp.	4.450%	1/29/26	925	992
2	Southwest Airlines Co. 2007-1 Pass Through Trust	6.150%	2/1/24	256	271
	Union Pacific Corp.	3.700%	3/1/29	505	541
	Union Pacific Corp.	4.300%	3/1/49	625	688
	Union Pacific Corp.	3.799%	10/1/51	666	668
2	United Airlines 2018-1 Class B Pass Through Trust	4.600%	3/1/26	208	215
	United Parcel Service Inc.	2.450%	10/1/22	425	431
	United Parcel Service Inc.	4.875%	11/15/40	150	175

325,551

Utilities (2.6%)

Electric (2.2%)

	AEP Texas Inc.	4.150%	5/1/49	145	154
	Alabama Power Co.	5.200%	6/1/41	120	141
	Alabama Power Co.	4.100%	1/15/42	215	223
	Alabama Power Co.	3.750%	3/1/45	630	645
	Alabama Power Co.	4.300%	7/15/48	775	866
	Ameren Illinois Co.	3.800%	5/15/28	590	638
	Ameren Illinois Co.	6.125%	12/15/28	1,000	1,186
	Ameren Illinois Co.	3.700%	12/1/47	140	143
	Berkshire Hathaway Energy Co.	6.125%	4/1/36	1,160	1,544
	Berkshire Hathaway Energy Co.	5.150%	11/15/43	1,490	1,823
	CenterPoint Energy Houston Electric LLC	4.250%	2/1/49	195	221
	Commonwealth Edison Co.	2.950%	8/15/27	645	652
	Commonwealth Edison Co.	4.350%	11/15/45	375	425
	Commonwealth Edison Co.	3.650%	6/15/46	175	178
	Commonwealth Edison Co.	4.000%	3/1/48	480	516
	Consolidated Edison Co. of New York Inc.	4.500%	12/1/45	980	1,102
	Consolidated Edison Co. of New York Inc.	3.850%	6/15/46	76	78
	Consolidated Edison Co. of New York Inc.	4.625%	12/1/54	1,835	2,084
	Consolidated Edison Co. of New York Inc.	4.500%	5/15/58	680	764
	Delmarva Power & Light Co.	3.500%	11/15/23	305	319
	Dominion Energy Inc.	2.962%	7/1/19	495	495
	Dominion Energy Inc.	5.200%	8/15/19	750	752
	Dominion Energy Inc.	2.579%	7/1/20	640	639
	Dominion Energy Inc.	2.715%	8/15/21	450	450
	Dominion Energy Inc.	5.250%	8/1/33	1,000	1,173
	Dominion Energy Inc.	4.600%	3/15/49	875	971
	Dominion Energy South Carolina Inc.	4.250%	8/15/28	685	759
	Dominion Energy South Carolina Inc.	6.625%	2/1/32	138	180
	Dominion Energy South Carolina Inc.	5.300%	5/15/33	44	52
	Dominion Energy South Carolina Inc.	6.050%	1/15/38	1,260	1,626
	Dominion Energy South Carolina Inc.	5.450%	2/1/41	95	117
	Dominion Energy South Carolina Inc.	4.350%	2/1/42	88	96
	Dominion Energy South Carolina Inc.	4.600%	6/15/43	202	230
	Dominion Energy South Carolina Inc.	5.100%	6/1/65	715	897
	DTE Energy Co.	3.800%	3/15/27	250	261
	Duke Energy Carolinas LLC	3.900%	6/15/21	1,090	1,124
	Duke Energy Carolinas LLC	6.100%	6/1/37	391	519
	Duke Energy Carolinas LLC	3.700%	12/1/47	470	482
	Duke Energy Corp.	2.650%	9/1/26	315	311
	Duke Energy Corp.	3.400%	6/15/29	350	357
	Duke Energy Corp.	4.800%	12/15/45	1,200	1,355
	Duke Energy Corp.	3.750%	9/1/46	265	258
	Duke Energy Florida LLC	6.350%	9/15/37	200	273
	Duke Energy Progress LLC	6.300%	4/1/38	365	496
	Duke Energy Progress LLC	4.100%	3/15/43	118	127
	Duke Energy Progress LLC	4.200%	8/15/45	2,045	2,235
	Emera US Finance LP	3.550%	6/15/26	965	984
	Entergy Louisiana LLC	3.120%	9/1/27	410	418
	Eversource Energy	4.500%	11/15/19	90	91
	Eversource Energy	2.900%	10/1/24	690	700

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
	Eversource Energy	3.150%	1/15/25	110	113
	Eversource Energy	3.300%	1/15/28	400	407
	Florida Power & Light Co.	5.650%	2/1/35	1,000	1,245
	Florida Power & Light Co.	4.950%	6/1/35	1,000	1,185
	Florida Power & Light Co.	5.950%	2/1/38	785	1,053
	Florida Power & Light Co.	5.690%	3/1/40	675	875
	Florida Power & Light Co.	3.700%	12/1/47	480	496
	Fortis Inc.	3.055%	10/4/26	1,195	1,184
	Georgia Power Co.	5.400%	6/1/40	205	235
	Georgia Power Co.	4.750%	9/1/40	988	1,083
	Georgia Power Co.	4.300%	3/15/42	1,646	1,736
	Indiana Michigan Power Co.	4.250%	8/15/48	415	457
5	Massachusetts Electric Co.	5.900%	11/15/39	585	739
	MidAmerican Energy Co.	4.250%	5/1/46	45	50
	MidAmerican Energy Co.	4.250%	7/15/49	315	357
5	Monongahela Power Co.	5.400%	12/15/43	135	169
	National Rural Utilities Cooperative Finance Corp.	2.950%	2/7/24	415	425
	National Rural Utilities Cooperative Finance Corp.	2.850%	1/27/25	1,040	1,061
	NextEra Energy Capital Holdings Inc.	3.250%	4/1/26	260	267
	NextEra Energy Capital Holdings Inc.	3.550%	5/1/27	880	918
	NextEra Energy Capital Holdings Inc.	3.500%	4/1/29	390	404
5	Niagara Mohawk Power Corp.	4.278%	12/15/28	1,000	1,094
	Northern States Power Co.	6.250%	6/1/36	2,000	2,699
	Oglethorpe Power Corp.	5.950%	11/1/39	170	209
	Oglethorpe Power Corp.	4.550%	6/1/44	50	52
	Oglethorpe Power Corp.	4.250%	4/1/46	537	532
	Oglethorpe Power Corp.	5.250%	9/1/50	630	735
	Oncor Electric Delivery Co. LLC	4.550%	12/1/41	75	86
	PacifiCorp	6.250%	10/15/37	2,000	2,672
	Potomac Electric Power Co.	3.050%	4/1/22	460	470
	Potomac Electric Power Co.	6.500%	11/15/37	750	1,029
	San Diego Gas & Electric Co.	6.000%	6/1/26	600	690
	San Diego Gas & Electric Co.	4.150%	5/15/48	500	519
	Sierra Pacific Power Co.	3.375%	8/15/23	850	878
	Sierra Pacific Power Co.	2.600%	5/1/26	221	219
	Southern California Edison Co.	2.400%	2/1/22	170	169
	Southern California Edison Co.	3.700%	8/1/25	90	93
	Southern California Edison Co.	6.000%	1/15/34	1,000	1,200
	Southern California Edison Co.	5.550%	1/15/37	2,250	2,574
	Southern California Edison Co.	6.050%	3/15/39	55	67
	Southern Co.	2.950%	7/1/23	1,280	1,297
	Southwestern Electric Power Co.	6.200%	3/15/40	400	515
	Southwestern Public Service Co.	3.700%	8/15/47	102	103
	Virginia Electric & Power Co.	2.750%	3/15/23	690	699
	Virginia Electric & Power Co.	3.500%	3/15/27	435	458
	Wisconsin Electric Power Co.	5.700%	12/1/36	690	895

Natural Gas (0.3%)

5	Boston Gas Co.	3.150%	8/1/27	140	142
5	Brooklyn Union Gas Co.	4.273%	3/15/48	1,720	1,868
	CenterPoint Energy Resources Corp.	4.500%	1/15/21	105	108
	CenterPoint Energy Resources Corp.	4.000%	4/1/28	1,369	1,454
5	Infraestructura Energetica Nova SAB de CV	4.875%	1/14/48	455	401
5	KeySpan Gas East Corp.	2.742%	8/15/26	670	661
	NiSource Finance Corp.	5.250%	2/15/43	390	451
	NiSource Finance Corp.	4.800%	2/15/44	1,355	1,493
	Sempra Energy	2.875%	10/1/22	750	752
	Sempra Energy	3.250%	6/15/27	1,095	1,093
	Southern California Gas Co.	2.600%	6/15/26	820	805

Other Utility (0.1%)

	American Water Capital Corp.	2.950%	9/1/27	540	543
	American Water Capital Corp.	4.200%	9/1/48	810	873

77,187

Total Corporate Bonds (Cost \$624,874) 662,733

Balanced Portfolio

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>Sovereign Bonds (1.6%)</b>					
<sup>5</sup>	CDP Financial Inc.	4.400%	11/25/19	1,000	1,008
<sup>5</sup>	Electricite de France SA	4.600%	1/27/20	1,200	1,215
<sup>5</sup>	Electricite de France SA	4.875%	9/21/38	2,400	2,730
<sup>5</sup>	Electricite de France SA	4.875%	1/22/44	50	55
<sup>5</sup>	Electricite de France SA	4.950%	10/13/45	400	448
	Equinor ASA	2.250%	11/8/19	580	579
	Equinor ASA	2.900%	11/8/20	1,410	1,427
	Equinor ASA	2.750%	11/10/21	850	862
	Equinor ASA	2.450%	1/17/23	382	385
	Equinor ASA	2.650%	1/15/24	360	365
	Equinor ASA	3.700%	3/1/24	640	678
	Equinor ASA	3.250%	11/10/24	795	830
<sup>8</sup>	International Bank for Reconstruction & Development	4.750%	2/15/35	2,000	2,580
<sup>9</sup>	Japan Bank for International Cooperation	2.250%	2/24/20	1,190	1,190
<sup>9</sup>	Japan Bank for International Cooperation	2.125%	6/1/20	882	882
<sup>9</sup>	Japan Bank for International Cooperation	2.125%	7/21/20	1,100	1,100
<sup>10</sup>	Japan Treasury Discount Bill	0.000%	8/19/19	350,000	3,247
<sup>5,8</sup>	Kingdom of Saudi Arabia	2.375%	10/26/21	850	849
<sup>5</sup>	Kingdom of Saudi Arabia	2.875%	3/4/23	1,130	1,143
<sup>11</sup>	Korea Development Bank	2.500%	3/11/20	2,000	2,004
<sup>12</sup>	Province of Ontario	2.500%	4/27/26	2,150	2,187
<sup>13</sup>	Province of Quebec	2.500%	4/20/26	3,820	3,900
<sup>5</sup>	Saudi Arabian Oil Co.	3.500%	4/16/29	1,705	1,725
<sup>5</sup>	Sinopec Group Overseas Development 2015 Ltd.	2.500%	4/28/20	1,615	1,615
<sup>5</sup>	Sinopec Group Overseas Development 2015 Ltd.	3.250%	4/28/25	1,615	1,645
<sup>5</sup>	Sinopec Group Overseas Development 2017 Ltd.	3.000%	4/12/22	850	856
<sup>5</sup>	State Grid Overseas Investment 2016 Ltd.	2.750%	5/4/22	1,550	1,554
<sup>5</sup>	State Grid Overseas Investment 2016 Ltd.	3.500%	5/4/27	775	799
<sup>5,14</sup>	State of Qatar	5.250%	1/20/20	1,665	1,690
<sup>5,14</sup>	State of Qatar	2.375%	6/2/21	1,590	1,588
<sup>5,14</sup>	State of Qatar	3.875%	4/23/23	1,985	2,079
<sup>5,14</sup>	State of Qatar	4.000%	3/14/29	851	917
<sup>5,14</sup>	State of Qatar	5.103%	4/23/48	820	973
<sup>5</sup>	Temasek Financial I Ltd.	2.375%	1/23/23	1,130	1,136
<sup>5</sup>	Temasek Financial I Ltd.	3.625%	8/1/28	1,025	1,108
<b>Total Sovereign Bonds (Cost \$45,357)</b>					<b>47,349</b>

<b>Taxable Municipal Bonds (1.6%)</b>					
	Atlanta GA Downtown Development Authority Revenue	6.875%	2/1/21	130	137
	Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.263%	4/1/49	685	1,027
	Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	7.043%	4/1/50	1,025	1,654
	California GO	5.700%	11/1/21	185	201
	California GO	7.500%	4/1/34	155	234
	California GO	7.550%	4/1/39	740	1,172
	California GO	7.300%	10/1/39	300	451
	California GO	7.350%	11/1/39	2,000	3,024
	California GO	7.625%	3/1/40	35	55
	California GO	7.600%	11/1/40	790	1,282
	Chicago IL Metropolitan Water Reclamation District GO	5.720%	12/1/38	215	279

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
	Chicago IL O'Hare International Airport Revenue	6.845%	1/1/38	530	541
	Chicago IL O'Hare International Airport Revenue	6.395%	1/1/40	245	347
	Chicago IL Transit Authority Sales Tax Receipts Revenue	6.200%	12/1/40	550	718
	Chicago IL Transit Authority Sales Tax Receipts Revenue	6.899%	12/1/40	695	942
	Chicago IL Transit Authority Transfer Tax Receipts Revenue	6.899%	12/1/40	1,760	2,377
	Dallas TX Area Rapid Transit Revenue	5.999%	12/1/44	750	1,058
	Georgetown University District of Columbia	4.315%	4/1/49	205	237
	Georgia Municipal Electric Power Authority Revenue	6.637%	4/1/57	1,985	2,385
	Georgia Municipal Electric Power Authority Revenue	6.655%	4/1/57	233	305
	Grand Parkway Transportation Corp. Texas System Toll Revenue	5.184%	10/1/42	1,015	1,279
	Houston TX GO	6.290%	3/1/32	400	490
	Illinois GO	5.100%	6/1/33	965	1,016
	Illinois Toll Highway Authority Revenue	6.184%	1/1/34	750	1,010
<sup>15</sup>	Kansas Development Finance Authority Revenue (Public Employees Retirement System)	5.501%	5/1/34	2,000	2,455
	Los Angeles CA Community College District GO	6.750%	8/1/49	405	641
	Maryland Transportation Authority Facilities Projects Revenue	5.888%	7/1/43	545	725
	Massachusetts School Building Authority Dedicated Sales Tax Revenue	5.715%	8/15/39	1,000	1,308
	New Jersey Turnpike Authority Revenue	7.414%	1/1/40	410	634
	New Jersey Turnpike Authority Revenue	7.102%	1/1/41	600	903
	New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.790%	6/15/41	115	119
	New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.882%	6/15/44	15	21
	New York Metropolitan Transportation Authority Revenue	6.814%	11/15/40	70	99
	New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	7.336%	11/15/39	325	498
	New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	6.089%	11/15/40	445	601
	New York State Urban Development Corp. Revenue	2.100%	3/15/22	2,315	2,316
	North Texas Tollway Authority System Revenue	6.718%	1/1/49	1,480	2,296
	Oregon Department of Transportation Highway User Tax Revenue	5.834%	11/15/34	655	863
<sup>15</sup>	Oregon School Boards Association GO	5.528%	6/30/28	2,000	2,370
	Port Authority of New York & New Jersey Revenue	5.859%	12/1/24	325	386
	Port Authority of New York & New Jersey Revenue	6.040%	12/1/29	265	346
	Port Authority of New York & New Jersey Revenue	4.458%	10/1/62	1,175	1,406
	Port Authority of New York & New Jersey Revenue	4.810%	10/15/65	640	798



# Balanced Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Regents of the University of California Revenue	3.063%	7/1/25	1,280	1,329
Sales Tax Securitization Corp. Illinois Revenue	4.787%	1/1/48	1,000	1,138
San Antonio TX Electric & Gas Systems Revenue	5.985%	2/1/39	305	412
University of California	3.349%	7/1/29	630	668
University of California Regents Medical Center Revenue	6.548%	5/15/48	295	423
University of California Regents Medical Center Revenue	6.583%	5/15/49	765	1,097
University of California Revenue	4.601%	5/15/31	590	673
University of California Revenue	5.770%	5/15/43	1,010	1,328
University of California Revenue	4.765%	5/15/44	145	155
University of California Revenue	3.931%	5/15/45	570	603
<b>Total Taxable Municipal Bonds (Cost \$41,474)</b>				<b>48,832</b>
<b>Temporary Cash Investments (2.5%)</b>				
			Shares	
<b>Money Market Fund (0.0%)</b>				
<sup>16</sup> Vanguard Market Liquidity Fund	2.499%		98	10
			Face Amount (\$000)	
<b>Repurchase Agreement (2.4%)</b>				
RBC Capital Markets LLC (Dated 06/28/19, Repurchase Value \$72,115,000, collateralized by U.S. Treasury Note/Bond, 2.250%, 11/15/27, with a value of \$73,542,000)	2.490%	7/1/19	72,100	72,100
<b>U.S. Government and Agency Obligations (0.1%)</b>				
United States Treasury Bill	2.364%	7/16/19	2,400	2,398
<b>Commercial Paper (0.0%)</b>				
Ford Motor Credit Co. LLC	3.550%	5/1/20	1,100	1,068
<b>Total Temporary Cash Investments (Cost \$75,575)</b>				<b>75,576</b>
<b>Total Investments (99.9%) (Cost \$2,495,425)</b>				<b>3,028,057</b>
			Amount (\$000)	
<b>Other Assets and Liabilities (0.1%)</b>				
<b>Other Assets</b>				
Investment in Vanguard				146
Receivables for Investment Securities Sold				13,782
Receivables for Accrued Income				10,125
Receivables for Capital Shares Issued				645
Other Assets				750
<b>Total Other Assets</b>				<b>25,448</b>
<b>Liabilities</b>				
Payables for Investment Securities Purchased				(16,951)
Payables for Capital Shares Redeemed				(3,814)
Payables to Investment Advisor				(359)
Payables to Vanguard				(1,693)
Variation Margin Payable—Futures Contracts				(22)
Unrealized Depreciation—Forward Currency Contracts				(245)
<b>Total Liabilities</b>				<b>(23,084)</b>
<b>Net Assets (100%)</b>				
Applicable to 131,911,549 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)				3,030,421
<b>Net Asset Value Per Share</b>				<b>\$22.97</b>

## At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	2,426,070
Total Distributable Earnings (Loss)	604,351
<b>Net Assets</b>	<b>3,030,421</b>

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

§ Security value determined using significant unobservable inputs.

1 Securities with a value of \$471,000 have been segregated as initial margin for open futures contracts.

2 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

3 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.

4 Includes securities purchased on a when-issued or delayed-delivery basis for which the portfolio has not taken delivery as of June 30, 2019.

5 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, 2019, the aggregate value of these securities was \$178,021,000, representing 5.9% of net assets.

6 Adjustable-rate security; rate shown is effective rate at period end. Certain adjustable-rate securities are not based on a published reference rate and spread but are determined by the issuer or agent based on current market conditions.

7 Face amount denominated in Canadian dollars.

8 Guaranteed by the Kingdom of Saudi Arabia.

9 Guaranteed by the Government of Japan.

10 Face amount denominated in Japanese yen.

11 Guaranteed by the Republic of Korea.

12 Guaranteed by the Province of Ontario.

13 Guaranteed by the Province of Quebec.

14 Guaranteed by the State of Qatar.

15 Scheduled principal and interest payments are guaranteed by AGM (Assured Guaranty Municipal Corporation).

16 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

ADR—American Depositary Receipt.

GDR—Global Depositary Receipt.

GO—General Obligation Bond.

LIBOR—London Interbank Offered Rate.

REMICs—Real Estate Mortgage Investment Conduits.

## Derivative Financial Instruments Outstanding as of Period End

## Futures Contracts

				(\$000)	
			Number of	Notional	Value and
			Long (Short)	Amount	Unrealized
			Contracts		Appreciation
					(Depreciation)
			Expiration		
Long Futures Contracts					
5-Year U.S. Treasury Note	September 2019	299	35,329	438	
2-Year U.S. Treasury Note	September 2019	58	12,480	72	
				510	

## Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (\$000)	Unrealized (Depreciation) (\$000)
		Receive		Deliver			
Citibank, N.A.	8/19/19	USD	3,185	JPY	350,000	—	(74)
UBS AG	7/17/19	USD	1,867	CAD	2,500	—	(43)
Goldman Sachs International	7/8/19	USD	1,519	CAD	2,000	—	(9)
Citibank, N.A.	7/19/19	USD	1,492	CAD	2,000	—	(36)
Citibank, N.A.	7/26/19	USD	1,486	CAD	1,999	—	(41)
Citibank, N.A.	7/22/19	USD	747	CAD	1,000	—	(17)
Citibank, N.A.	7/5/19	USD	746	CAD	1,000	—	(18)
Citibank, N.A.	7/16/19	USD	305	CAD	409	—	(7)
						—	(245)

CAD—Canadian dollar.

JPY—Japanese yen.

USD—U.S. dollar.

## Statement of Operations

	Six Months Ended June 30, 2019 (\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends <sup>1</sup>	27,104
Interest	17,534
Securities Lending—Net	133
Total Income	44,771
<b>Expenses</b>	
Investment Advisory Fees—Note B	
Basic Fee	756
Performance Adjustment	(39)
The Vanguard Group—Note C	
Management and Administrative	2,155
Marketing and Distribution	118
Custodian Fees	19
Shareholders' Reports	10
Trustees' Fees and Expenses	1
Total Expenses	3,020
<b>Net Investment Income</b>	<b>41,751</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>2</sup>	38,587
Futures Contracts	(930)
Swap Contracts	(65)
Forward Currency Contracts	(237)
Foreign Currencies	(8)
<b>Realized Net Gain (Loss)</b>	<b>37,347</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>2</sup>	266,430
Futures Contracts	745
Swap Contracts	3
Forward Currency Contracts	(60)
Foreign Currencies	7
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>267,125</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>346,223</b>

<sup>1</sup> Dividends are net of foreign withholding taxes of \$761,000.

<sup>2</sup> Realized net gain (loss) and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$1,000 and (\$1,000). Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019 (\$000)	Year Ended December 31, 2018 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	41,751	76,968
Realized Net Gain (Loss)	37,347	161,353
Change in Unrealized Appreciation (Depreciation)	267,125	(334,570)
Net Increase (Decrease) in Net Assets Resulting from Operations	346,223	(96,249)
<b>Distributions</b>		
Net Investment Income	(80,367)	(68,274)
Realized Capital Gain <sup>1</sup>	(161,598)	(144,148)
Total Distributions	(241,965)	(212,422)
<b>Capital Share Transactions</b>		
Issued	131,070	245,575
Issued in Lieu of Cash Distributions	241,965	212,422
Redeemed	(154,491)	(384,075)
Net Increase (Decrease) from Capital Share Transactions	218,544	73,922
Total Increase (Decrease)	322,802	(234,749)
<b>Net Assets</b>		
Beginning of Period	2,707,619	2,942,368
End of Period	3,030,421	2,707,619

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$0 and \$13,427,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$22.20</b>	<b>\$24.80</b>	<b>\$23.03</b>	<b>\$22.32</b>	<b>\$23.99</b>	<b>\$23.66</b>
<b>Investment Operations</b>						
Net Investment Income	.327 <sup>1</sup>	.626 <sup>1</sup>	.582 <sup>1</sup>	.581	.576	.569
Net Realized and Unrealized Gain (Loss) on Investments	2.431	(1.414)	2.648	1.713	(.548)	1.613
Total from Investment Operations	2.758	(.788)	3.230	2.294	.028	2.182
<b>Distributions</b>						
Dividends from Net Investment Income	(.660)	(.582)	(.567)	(.576)	(.570)	(.555)
Distributions from Realized Capital Gains	(1.328)	(1.230)	(.893)	1.008	(1.128)	(1.297)
Total Distributions	(1.988)	(1.812)	(1.460)	(1.584)	(1.698)	(1.852)
<b>Net Asset Value, End of Period</b>	<b>\$22.97</b>	<b>\$22.20</b>	<b>\$24.80</b>	<b>\$23.03</b>	<b>\$22.32</b>	<b>\$23.99</b>
<b>Total Return</b>	<b>12.81%</b>	<b>-3.41%</b>	<b>14.72%</b>	<b>11.01%</b>	<b>0.09%</b>	<b>9.84%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$3,030	\$2,708	\$2,942	\$2,554	\$2,312	\$2,334
Ratio of Total Expenses to Average Net Assets <sup>2</sup>	0.21%	0.21%	0.23%	0.23%	0.23%	0.25%
Ratio of Net Investment Income to Average Net Assets	2.89%	2.67%	2.49%	2.66%	2.53%	2.50%
Portfolio Turnover Rate <sup>3</sup>	27%	36%	28%	33%	45%	70%

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%), (0.00%), (0.01%), 0.00%, and 0.00%.

3 Includes 0%, 2%, 0%, 0%, 14%, and 15% attributable to mortgage-dollar-roll activity.

## Notes to Financial Statements

The 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. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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, 2019, the portfolio's average investments in long and short futures contracts represented 2% and less than 1% 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, 2019, the portfolio's average investment in forward currency contracts represented less than 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

5. 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.

During the six months ended June 30, 2019, the portfolio's average amounts of investments in credit protection purchased represented less than 1% of net assets, based on the average of notional amounts at each quarter-end during the period. The portfolio had no open swap contracts at June 30, 2019.

6. 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.

7. **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.

8. **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.

9. **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, 2015–2018), and for the period ended June 30, 2019, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

10. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

11. **Credit Facility:** The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 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, 2019, or at any time during the period then ended.

12. **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 portfolio 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.

13. **Other:** Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. 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, 2019, the investment advisory fee represented an effective annual basic rate of 0.05% of the portfolio's average net assets before a decrease of \$39,000 (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, 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, 2019, the portfolio had contributed to Vanguard capital in the amount of \$146,000, representing 0.00% 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.

**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.



## Balanced Portfolio

The following table summarizes the market value of the portfolio's investments as of June 30, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	1,703,597	236,380	—
U.S. Government and Agency Obligations	—	209,450	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	43,805	335
Corporate Bonds	—	662,733	—
Sovereign Bonds	—	47,349	—
Taxable Municipal Bonds	—	48,832	—
Temporary Cash Investments	10	75,566	—
Futures Contracts—Liabilities <sup>1</sup>	(22)	—	—
Forward Currency Contracts—Liabilities	—	(245)	—
Total	1,703,585	1,323,870	335

<sup>1</sup> Represents variation margin on the last day of the reporting period.

E. At June 30, 2019, 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)	Credit Contracts (\$000)	Total (\$000)
Variation Margin Payable—Futures Contracts	(22)	—	—	(22)
Unrealized Depreciation—Forward Currency Contracts	—	(245)	—	(245)
Total Liabilities	(22)	(245)	—	(267)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2019, were:

	Interest Rate Contracts (\$000)	Currency Contracts (\$000)	Credit Contracts (\$000)	Total (\$000)
Realized Net Gain (Loss) on Derivatives				
Futures Contracts	(930)	—	—	(930)
Swap Contracts	—	—	(65)	(65)
Forward Currency Contracts	—	(237)	—	(237)
Realized Net Gain (Loss) on Derivatives	(930)	(237)	(65)	(1,232)

### Change in Unrealized Appreciation (Depreciation) on Derivatives

Futures Contracts	745	—	—	745
Swap Contracts	—	—	3	3
Forward Currency Contracts	—	(60)	—	(60)
Change in Unrealized Appreciation (Depreciation) on Derivatives	—	(60)	3	688

F. As of June 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	2,495,934
Gross Unrealized Appreciation	578,183
Gross Unrealized Depreciation	(45,795)
Net Unrealized Appreciation (Depreciation)	532,388

G. During the six months ended June 30, 2019, the portfolio purchased \$283,811,000 of investment securities and sold \$314,679,000 of investment securities, other than U.S. government securities and temporary cash investments. Purchases and sales of U.S. government securities were \$97,889,000 and \$86,666,000, respectively.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	5,734	10,418
Issued in Lieu of Cash Distributions	10,988	9,268
Redeemed	(6,790)	(16,340)
Net Increase (Decrease) in Shares Outstanding	9,932	3,346

At June 30, 2019, 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 80% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

I. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.

## 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 leverage 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.

### **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.

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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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](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



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**Semiannual Report** | June 30, 2019

# Vanguard Variable Insurance Fund

High Yield Bond Portfolio

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.



**Important information about access to shareholder reports**

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund’s annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://vanguard.com).

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# High Yield Bond Portfolio

## 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, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
High Yield Bond Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,107.31	\$1.36
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.51	1.30

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 0.26%. 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).

## Sector Diversification

As of June 30, 2019

Basic Industry	5.6%
Capital Goods	11.6
Communication	21.4
Consumer Cyclical	13.9
Consumer Non-Cyclical	12.4
Energy	12.3
Finance	12.3
Industrial Other	0.7
Technology	7.3
Transportation	0.8
Treasury/Agency	0.4
Utilities	1.3

The table reflects the portfolio's market exposure. Any holdings in short-term reserves are excluded. The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

## Financial Statements (unaudited)

### Statement of Net Assets

As of June 30, 2019

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>Corporate Bonds (93.3%)</b>					<b>Real Estate Investment Trusts (0.2%)</b>				
<b>Finance (12.0%)</b>					<b>Felcor Lodging LP</b>				
<b>Banking (3.6%)</b>						6.000%	6/1/25	1,100	1,151
Ally Financial Inc.	4.625%	5/19/22	105	109					<b>88,177</b>
Ally Financial Inc.	5.125%	9/30/24	1,480	1,598	<b>Industrial (80.2%)</b>				
Ally Financial Inc.	4.625%	3/30/25	540	570	<b>Basic Industry (5.1%)</b>				
Ally Financial Inc.	5.750%	11/20/25	3,415	3,782	AK Steel Corp.	7.625%	10/1/21	355	348
Ally Financial Inc.	8.000%	11/1/31	215	284	AK Steel Corp.	7.500%	7/15/23	2,395	2,443
<sup>1</sup> BNP Paribas SA	6.750%	3/14/66	1,805	1,895	AK Steel Corp.	6.375%	10/15/25	688	552
<sup>1</sup> Credit Suisse AG	6.250%	12/18/65	5,280	5,523	AK Steel Corp.	7.000%	3/15/27	676	546
<sup>1</sup> ING Groep NV	6.875%	4/16/66	2,400	2,528	<sup>2</sup> Alliance Resource Operating Partners LP / Alliance Resource Finance Corp.	7.500%	5/1/25	3,163	3,321
<sup>2</sup> Intesa Sanpaolo SPA	5.710%	1/15/26	2,105	2,129	Chemours Co.	6.625%	5/15/23	1,327	1,370
Royal Bank of Scotland Group plc	6.125%	12/15/22	1,635	1,759	Chemours Co.	7.000%	5/15/25	3,115	3,247
<sup>1</sup> UBS Group AG	6.875%	3/22/66	3,700	3,857	Chemours Co.	5.375%	5/15/27	930	886
<sup>2</sup> UniCredit SPA	6.572%	1/14/22	2,310	2,454	Commercial Metals Co.	5.750%	4/15/26	1,414	1,412
<b>Finance Companies (5.3%)</b>					Commercial Metals Co.	5.375%	7/15/27	565	562
<sup>1,2</sup> AerCap Global Aviation Trust	6.500%	6/15/45	3,950	4,113	<sup>2</sup> Constellium NV	5.750%	5/15/24	1,085	1,114
Aircastle Ltd.	5.000%	4/1/23	465	491	<sup>2</sup> Constellium NV	6.625%	3/1/25	2,185	2,273
Aircastle Ltd.	4.125%	5/1/24	2,110	2,159	<sup>2</sup> Constellium NV	5.875%	2/15/26	260	267
<sup>2</sup> Avolon Holdings Funding Ltd.	5.250%	5/15/24	1,630	1,738	<sup>2,4</sup> CTC BondCo GmbH	5.250%	12/15/25	425	492
CIT Group Inc.	5.000%	8/15/22	1,555	1,642	Graphic Packaging International Inc.	4.125%	8/15/24	1,065	1,078
CIT Group Inc.	5.000%	8/1/23	155	166	Graphic Packaging International LLC	4.750%	7/15/27	205	210
CIT Group Inc.	4.750%	2/16/24	115	122	<sup>2</sup> New Gold Inc.	6.250%	11/15/22	1,149	1,051
<sup>2</sup> Freedom Mortgage Corp.	8.250%	4/15/25	740	634	<sup>2</sup> New Gold Inc.	6.375%	5/15/25	1,510	1,253
Navient Corp.	7.250%	1/25/22	1,320	1,427	<sup>2</sup> Novelis Corp.	6.250%	8/15/24	1,950	2,038
Navient Corp.	6.500%	6/15/22	4,150	4,399	<sup>2</sup> Novelis Corp.	5.875%	9/30/26	2,035	2,061
Navient Corp.	5.500%	1/25/23	2,625	2,697	Olin Corp.	5.125%	9/15/27	1,775	1,819
Navient Corp.	7.250%	9/25/23	590	631	Olin Corp.	5.000%	2/1/30	325	321
Navient Corp.	6.750%	6/25/25	4,500	4,658	<sup>3</sup> Starfruit Finco B.V. Bank Loan	5.668%	10/1/25	551	542
Navient Corp.	6.750%	6/15/26	57	59	<sup>3</sup> Starfruit Finco B.V. Bank Loan	5.668%	10/1/25	107	106
Navient Corp.	5.625%	8/1/33	1,052	873	<sup>2</sup> Starfruit US Holdco LLC / Starfruit Finco BV	8.000%	10/1/26	1,350	1,387
<sup>2</sup> Park Aerospace Holdings Ltd.	5.500%	2/15/24	600	646	Steel Dynamics Inc.	5.125%	10/1/21	1,020	1,030
Springleaf Finance Corp.	8.250%	12/15/20	1,265	1,358	Steel Dynamics Inc.	5.500%	10/1/24	1,275	1,321
Springleaf Finance Corp.	7.750%	10/1/21	1,965	2,152	Steel Dynamics Inc.	4.125%	9/15/25	70	70
Springleaf Finance Corp.	6.125%	5/15/22	385	413	Steel Dynamics Inc.	5.000%	12/15/26	270	282
Springleaf Finance Corp.	8.250%	10/1/23	515	597	<sup>2</sup> Tronox Finance plc	5.750%	10/1/25	675	655
Springleaf Finance Corp.	6.125%	3/15/24	1,715	1,844	<sup>2</sup> Tronox Inc.	6.500%	4/15/26	2,725	2,698
Springleaf Finance Corp.	6.875%	3/15/25	715	781	<sup>2</sup> United States Steel Corp.	6.650%	6/1/37	460	386
Springleaf Finance Corp.	7.125%	3/15/26	4,396	4,792	<sup>2</sup> Versum Materials Inc.	5.500%	9/30/24	640	682
Springleaf Finance Corp.	6.625%	1/15/28	765	803	<b>Capital Goods (11.3%)</b>				
<b>Insurance (2.5%)</b>					<sup>2</sup> American Builders & Contractors Supply Co. Inc.	5.875%	5/15/26	1,840	1,918
<sup>1</sup> Aegon NV	5.500%	4/11/48	2,220	2,312	ARD Finance SA	7.125%	9/15/23	655	668
<sup>3</sup> Asurion LLC. Bank Loan	5.402%	11/3/24	3,079	3,071	<sup>2</sup> ARD Finance SA	7.125%	9/15/23	1,140	1,163
Centene Corp.	4.750%	1/15/25	300	309	<sup>2</sup> Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,765	1,862
CNO Financial Group Inc.	5.250%	5/30/29	1,635	1,770	<sup>2</sup> Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	6.000%	2/15/25	3,365	3,479
Genworth Holdings Inc.	7.700%	6/15/20	130	130	<sup>2,5</sup> Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	198
Genworth Holdings Inc.	7.200%	2/15/21	830	814	<sup>2</sup> Ashtead Capital Inc.	4.125%	8/15/25	1,325	1,338
Genworth Holdings Inc.	7.625%	9/24/21	760	747	<sup>2</sup> Ashtead Capital Inc.	5.250%	8/1/26	545	570
Genworth Holdings Inc.	4.900%	8/15/23	1,475	1,204	<sup>2</sup> Ashtead Capital Inc.	4.375%	8/15/27	1,545	1,545
Genworth Holdings Inc.	4.800%	2/15/24	475	405	Ball Corp.	4.000%	11/15/23	465	482
MGIC Investment Corp.	5.750%	8/15/23	725	787	Ball Corp.	5.250%	7/1/25	141	152
Radian Group Inc.	4.500%	10/1/24	2,485	2,544	Ball Corp.	4.875%	3/15/26	3,400	3,604
<sup>1</sup> Voya Financial Inc.	5.650%	5/15/53	2,725	2,820	<sup>2</sup> Beacon Escrow Corp.	4.875%	11/1/25	2,585	2,559
WellCare Health Plans Inc.	5.250%	4/1/25	1,325	1,381	<sup>2</sup> Berry Global Escrow Corp.	5.625%	7/15/27	215	223
<b>Other Finance (0.4%)</b>									
CNO Financial Group Inc.	5.250%	5/30/25	1,785	1,924					
<sup>3</sup> Trans Union LLC Bank Loan	4.402%	6/19/25	1,129	1,125					

High Yield Bond Portfolio

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>2</sup>	Berry Global Inc.	4.500%	2/15/26	1,655	1,630					
<sup>2</sup>	Berry Global Inc.	4.875%	7/15/26	1,630	1,667					
<sup>2</sup>	Bombardier Inc.	5.750%	3/15/22	675	687					
<sup>2</sup>	Bombardier Inc.	6.125%	1/15/23	2,698	2,732					
<sup>2</sup>	Bombardier Inc.	7.500%	12/1/24	460	472					
<sup>2</sup>	Bombardier Inc.	7.500%	3/15/25	1,412	1,417					
<sup>2</sup>	Bombardier Inc.	7.875%	4/15/27	1,675	1,677					
<sup>2</sup>	CD&R Waterworks Merger Sub LLC	6.125%	8/15/25	160	161					
<sup>2</sup>	Cemex SAB de CV	6.125%	5/5/25	3,280	3,428					
<sup>2</sup>	Cemex SAB de CV	7.500%	4/16/26	735	808					
	Clean Harbors Inc.	5.125%	6/1/21	2,033	2,036					
<sup>2</sup>	Clean Harbors Inc.	4.875%	7/15/27	960	974					
<sup>2</sup>	Clean Harbors Inc.	5.125%	7/15/29	768	783					
	Crown Americas LLC / Crown Americas Capital Corp. VI	4.750%	2/1/26	710	730					
<sup>2,4</sup>	Crown European Holdings SA	2.875%	2/1/26	1,555	1,914					
<sup>2</sup>	Flex Acquisition Co. Inc.	6.875%	1/15/25	4,000	3,630					
<sup>2</sup>	HD Supply Inc.	5.375%	10/15/26	1,210	1,277					
<sup>2</sup>	Herc Holdings Inc.	5.500%	7/15/27	2,835	2,849					
<sup>2</sup>	Jeld-Wen Inc.	4.625%	12/15/25	345	338					
<sup>2</sup>	Jeld-Wen Inc.	4.875%	12/15/27	195	189					
<sup>2</sup>	LANXESS AG	6.000%	4/1/24	290	299					
<sup>2,4</sup>	Loxam SAS	4.250%	4/15/24	190	227					
<sup>2,4</sup>	Loxam SAS	6.000%	4/15/25	185	221					
<sup>2</sup>	OI European Group BV	4.000%	3/15/23	660	662					
<sup>2</sup>	Owens-Brockway Glass Container Inc.	5.000%	1/15/22	180	185					
<sup>2</sup>	Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	961					
<sup>2</sup>	Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	387					
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	644	646					
<sup>2</sup>	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	2,240	2,279					
<sup>2</sup>	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	454					
<sup>2</sup>	Standard Industries Inc.	5.500%	2/15/23	295	303					
<sup>2</sup>	Standard Industries Inc.	5.375%	11/15/24	2,323	2,404					
<sup>2</sup>	Standard Industries Inc.	6.000%	10/15/25	4,295	4,558					
<sup>2</sup>	Standard Industries Inc.	5.000%	2/15/27	495	499					
<sup>2</sup>	Standard Industries Inc.	4.750%	1/15/28	1,025	1,017					
	TransDigm Inc.	6.500%	7/15/24	3,090	3,129					
	TransDigm Inc.	6.500%	5/15/25	2,565	2,594					
	TransDigm Inc.	6.375%	6/15/26	900	911					
	United Rentals North America Inc.	5.500%	7/15/25	2,230	2,319					
	United Rentals North America Inc.	4.625%	10/15/25	1,665	1,692					
	United Rentals North America Inc.	5.875%	9/15/26	1,955	2,082					
	United Rentals North America Inc.	6.500%	12/15/26	1,590	1,721					
	United Rentals North America Inc.	5.500%	5/15/27	2,125	2,234					
	United Rentals North America Inc.	4.875%	1/15/28	1,470	1,499					
	United Rentals North America Inc.	5.250%	1/15/30	740	759					
	<b>Communication (19.5%)</b>									
<sup>2</sup>	Alice Financing SA	6.625%	2/15/23	1,875	1,922					
<sup>2</sup>	Alice France SA	6.250%	5/15/24	1,426	1,467					
<sup>2</sup>	Alice France SA	7.375%	5/1/26	1,450	1,486					
<sup>2</sup>	Alice Luxembourg SA	7.750%	5/15/22	419	426					
<sup>2</sup>	Alice Luxembourg SA	7.625%	2/15/25	1,200	1,126					
	Belo Corp.	7.750%	6/1/27	920	1,021					
	Belo Corp.	7.250%	9/15/27	667	720					
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	251					
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	370					
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	407					
<sup>2</sup>	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	3,057					
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,173					
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	450	459					
<sup>2</sup>	CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,871	2,971					
<sup>2</sup>	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,522					
<sup>2</sup>	CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,386	1,448					
<sup>2</sup>	CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	445	469					
	CenturyLink Inc.	5.800%	3/15/22	303	317					
	CenturyLink Inc.	6.750%	12/1/23	755	815					
	CenturyLink Inc.	7.500%	4/1/24	557	615					
	Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	891	1,054					
<sup>3</sup>	Crown Finance US Inc. Bank Loan	4.652%	2/22/25	3,033	2,981					
	CSC Holdings LLC	6.750%	11/15/21	1,735	1,852					
<sup>2</sup>	CSC Holdings LLC	5.125%	12/15/21	1,935	1,933					
<sup>2</sup>	CSC Holdings LLC	5.375%	7/15/23	280	288					
<sup>2</sup>	CSC Holdings LLC	6.625%	10/15/25	700	749					
<sup>2</sup>	CSC Holdings LLC	5.500%	5/15/26	3,890	4,080					
<sup>2</sup>	CSC Holdings LLC	5.500%	4/15/27	2,610	2,737					
	DISH DBS Corp.	6.750%	6/1/21	4,530	4,745					
	DISH DBS Corp.	5.875%	7/15/22	3,746	3,793					
	DISH DBS Corp.	5.000%	3/15/23	1,384	1,332					
	DISH DBS Corp.	5.875%	11/15/24	2,405	2,276					
	DISH DBS Corp.	7.750%	7/1/26	2,960	2,901					
	Embarq Corp.	7.995%	6/1/36	720	696					
	Gannett Co. Inc.	6.375%	10/15/23	850	875					
<sup>2</sup>	Gray Escrow Inc.	7.000%	5/15/27	415	450					
<sup>2</sup>	Gray Television Inc.	5.125%	10/15/24	1,961	1,993					
<sup>2</sup>	Gray Television Inc.	5.875%	7/15/26	1,470	1,525					
	Level 3 Financing Inc.	5.375%	8/15/22	2,215	2,223					
	Level 3 Financing Inc.	5.625%	2/1/23	870	879					
	Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,130					
	Liberty Interactive LLC	8.250%	2/1/30	866	864					
	Nokia Oyj	4.375%	6/12/27	1,555	1,594					
	Quebecor Media Inc.	5.750%	1/15/23	2,810	3,007					
	Qwest Corp.	6.875%	9/15/33	481	479					
<sup>2</sup>	Sinclair Television Group Inc.	5.625%	8/1/24	470	482					
<sup>2</sup>	Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,802					
<sup>2</sup>	Sinclair Television Group Inc.	5.125%	2/15/27	1,975	1,938					
<sup>2</sup>	Sirius XM Radio Inc.	4.625%	7/15/24	795	813					
	Sprint Capital Corp.	6.875%	11/15/28	3,005	3,114					
	Sprint Capital Corp.	8.750%	3/15/32	1,540	1,786					
<sup>2</sup>	Sprint Communications Inc.	7.000%	3/1/20	2,285	2,342					
	Sprint Communications Inc.	6.000%	11/15/22	755	787					
	Sprint Corp.	7.875%	9/15/23	9,234	10,030					
	Sprint Corp.	7.125%	6/15/24	2,101	2,222					
	Sprint Corp.	7.625%	2/15/25	1,595	1,699					
	T-Mobile USA Inc.	5.375%	4/15/27	3,510	3,756					
	Telecom Italia Capital SA	6.375%	11/15/33	381	393					
	Telecom Italia Capital SA	6.000%	9/30/34	1,005	1,013					
	Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,429					
<sup>2</sup>	Telecom Italia SpA	5.303%	5/30/24	445	461					
<sup>2</sup>	Telenet Finance Luxembourg Notes Sarl	5.500%	3/1/28	3,600	3,649					
	Time Warner Cable LLC	5.875%	11/15/40	60	65					
	Time Warner Cable LLC	5.500%	9/1/41	1,223	1,281					
<sup>2</sup>	Univision Communications Inc.	5.125%	5/15/23	550	536					
<sup>2</sup>	Univision Communications Inc.	5.125%	2/15/25	4,840	4,604					
<sup>2</sup>	UPCB Finance IV Ltd.	5.375%	1/15/25	2,225	2,286					
<sup>1</sup>	Viacom Inc.	5.875%	2/28/57	2,560	2,608					
<sup>1</sup>	Viacom Inc.	6.250%	2/28/57	944	979					
<sup>2</sup>	Videotron Ltd.	5.000%	7/15/22	3,763	3,942					
<sup>2</sup>	Videotron Ltd.	5.375%	6/15/24	260	278					
<sup>2</sup>	Virgin Media Finance plc	6.000%	10/15/24	1,855	1,922					

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Virgin Media Secured Finance plc	5.250%	1/15/21	200	209
<sup>2</sup> Virgin Media Secured Finance plc	5.250%	1/15/26	2,467	2,513
<sup>2</sup> Virgin Media Secured Finance plc	5.500%	8/15/26	355	367
<sup>2</sup> Virgin Media Secured Finance plc	5.500%	5/15/29	2,220	2,250
<sup>2</sup> VTR Finance BV	6.875%	1/15/24	2,521	2,603
<sup>2</sup> WMG Acquisition Corp.	5.000%	8/1/23	840	857
<sup>2</sup> WMG Acquisition Corp.	4.875%	11/1/24	1,475	1,510
<sup>2</sup> WMG Acquisition Corp.	5.500%	4/15/26	2,651	2,731
<sup>2,4</sup> WMG Acquisition Corp.	3.625%	10/15/26	220	264
<sup>2</sup> Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,390
<sup>2</sup> Ziggo BV	5.500%	1/15/27	1,845	1,873
<b>Consumer Cyclical (12.4%)</b>				
<sup>2</sup> 1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	4,062	4,108
<sup>2</sup> 1011778 BC ULC / New Red Finance Inc.	5.000%	10/15/25	2,875	2,897
<sup>2</sup> Adient Global Holdings Ltd.	4.875%	8/15/26	4,720	3,735
<sup>2</sup> Adient US LLC	7.000%	5/15/26	540	554
<sup>2</sup> APX Group Inc.	8.875%	12/1/22	4,155	3,828
<sup>2</sup> Bass Pro Group, LLC Bank Loan	7.402%	12/15/23	1,901	1,813
<sup>3</sup> Cedar Fair LP	5.250%	7/15/29	925	943
Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp.	5.375%	6/1/24	535	550
Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Operations LLC	5.375%	4/15/27	775	804
<sup>2</sup> CRC Escrow Issuer LLC / CRC Finco Inc.	5.250%	10/15/25	5,768	5,768
Dana Holding Corp.	5.500%	12/15/24	1,055	1,076
Delta Merger Sub Inc.	6.000%	9/15/26	1,820	1,984
<sup>2</sup> FirstCash Inc.	5.375%	6/1/24	123	126
GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	106
GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,837
GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,010	1,090
GLP Capital LP / GLP Financing II Inc.	5.300%	1/15/29	1,030	1,111
Goodyear Tire & Rubber Co.	5.000%	5/31/26	2,009	1,979
Goodyear Tire & Rubber Co.	4.875%	3/15/27	3,278	3,122
<sup>2</sup> GW Honos Security Corp.	8.750%	5/15/25	1,615	1,597
<sup>2</sup> Hanesbrands Inc.	4.625%	5/15/24	730	757
<sup>2</sup> Hanesbrands Inc.	4.875%	5/15/26	735	759
Hilton Domestic Operating Co. Inc.	4.250%	9/1/24	1,770	1,797
Hilton Domestic Operating Co. Inc.	5.125%	5/1/26	2,685	2,799
Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.625%	4/1/25	3,395	3,476
Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.875%	4/1/27	1,750	1,807
<sup>2</sup> Jack Ohio Finance LLC / Jack Ohio Finance 1 Corp.	6.750%	11/15/21	200	205
<sup>2</sup> Jacobs Entertainment Inc.	7.875%	2/1/24	600	640
KB Home	7.000%	12/15/21	230	246
KB Home	7.500%	9/15/22	215	239
KB Home	7.625%	5/15/23	1,300	1,449
<sup>2</sup> KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	1,965	2,031
<sup>2</sup> KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	915
<sup>2</sup> KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	710	728
L Brands Inc.	6.694%	1/15/27	1,287	1,261
L Brands Inc.	5.250%	2/1/28	1,301	1,192
Lennar Corp.	4.125%	1/15/22	1,015	1,038
Lennar Corp.	4.875%	12/15/23	625	659
Lennar Corp.	4.500%	4/30/24	3,015	3,169
Lennar Corp.	5.875%	11/15/24	490	537
Lennar Corp.	5.250%	6/1/26	270	286
Lennar Corp.	5.000%	6/15/27	1,245	1,310
Lennar Corp.	4.750%	11/29/27	1,085	1,142
<sup>2,4</sup> LHMC Finco Sarl	6.250%	12/20/23	1,310	1,616
<sup>2</sup> LHMC Finco Sarl	7.875%	12/20/23	1,720	1,821

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>2</sup> Lithia Motors Inc.	5.250%	8/1/25	171	176
Meritage Homes Corp.	5.125%	6/6/27	505	513
MGM Resorts International	5.750%	6/15/25	1,500	1,627
MGM Resorts International	5.500%	4/15/27	1,065	1,117
<sup>2</sup> Panther BF Aggregator 2 LP / Panther Finance Co. Inc.	8.500%	5/15/27	540	556
<sup>3</sup> Panther BF Aggregator Bank Loan	5.903%	4/30/26	1,085	1,074
<sup>2</sup> PetSmart Inc.	5.875%	6/1/25	1,500	1,455
PulteGroup Inc.	5.500%	3/1/26	2,075	2,241
PulteGroup Inc.	5.000%	1/15/27	130	136
Service Corp. International	8.000%	11/15/21	1,225	1,337
Service Corp. International	4.625%	12/15/27	205	210
Service Corp. International	5.125%	6/1/29	405	426
Toll Brothers Finance Corp.	4.875%	11/15/25	295	308
Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	2,038
William Lyon Homes Inc.	7.000%	8/15/22	450	451
William Lyon Homes Inc.	6.000%	9/1/23	390	396
William Lyon Homes Inc.	5.875%	1/31/25	1,415	1,394
<sup>2</sup> Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.500%	3/1/25	2,430	2,506
<sup>2</sup> Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.250%	5/15/27	1,636	1,642
<b>Consumer Noncyclical (11.8%)</b>				
Aramark Services Inc.	5.125%	1/15/24	1,367	1,405
<sup>2</sup> Aramark Services Inc.	5.000%	4/1/25	1,935	1,969
Aramark Services Inc.	4.750%	6/1/26	580	589
<sup>2</sup> Aramark Services Inc.	5.000%	2/1/28	1,465	1,505
<sup>2</sup> Bausch Health Cos. Inc.	5.875%	5/15/23	147	149
<sup>2</sup> Bausch Health Cos. Inc.	7.000%	3/15/24	1,090	1,155
<sup>2</sup> Bausch Health Cos. Inc.	5.500%	11/1/25	2,140	2,226
<sup>2</sup> Catalent Pharma Solutions Inc.	5.000%	7/15/27	630	641
<sup>2</sup> Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	2,000	2,030
CHS/Community Health Systems Inc.	5.125%	8/1/21	525	517
CHS/Community Health Systems Inc.	6.875%	2/1/22	1,099	736
CHS/Community Health Systems Inc.	6.250%	3/31/23	3,450	3,321
<sup>2</sup> CHS/Community Health Systems Inc.	8.125%	6/30/24	1,203	899
<sup>2,4</sup> Darling Global Finance BV	3.625%	5/15/26	395	475
<sup>2</sup> Darling Ingredients Inc.	5.250%	4/15/27	220	230
<sup>2,4</sup> Diamond BC BV	5.625%	8/15/25	3,235	3,075
<sup>2</sup> Endo Dac / Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,395	1,611
<sup>2</sup> Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,535	1,831
HCA Inc.	6.250%	2/15/21	870	911
HCA Inc.	7.500%	2/15/22	155	171
HCA Inc.	5.875%	5/1/23	2,055	2,235
HCA Inc.	5.375%	2/1/25	1,955	2,109
HCA Inc.	7.690%	6/15/25	130	153
HCA Inc.	5.875%	2/15/26	2,895	3,199
HCA Inc.	5.625%	9/1/28	390	422
HCA Inc.	5.875%	2/1/29	450	493
<sup>2</sup> Hologic Inc.	4.625%	2/1/28	570	578
<sup>2</sup> inVentiv Group Holdings Inc./inVentiv Health Inc./inVentiv Health Clinical Inc.	7.500%	10/1/24	172	180
<sup>2</sup> IQVIA Inc.	4.875%	5/15/23	750	770
<sup>2</sup> IQVIA Inc.	5.000%	5/15/27	1,400	1,442
<sup>2</sup> Kinetic Concepts Inc. / KCI USA Inc.	7.875%	2/15/21	1,376	1,410
<sup>3</sup> Lands' End, Inc. Bank Loan	5.652%	3/12/21	2,272	2,221
<sup>2</sup> MPH Acquisition Holdings LLC	7.125%	6/1/24	1,590	1,491
Mylan Inc.	4.550%	4/15/28	1,935	1,893
<sup>2</sup> Polaris Intermediate Corp.	8.500%	12/1/22	2,565	2,264
<sup>2</sup> Post Holdings Inc.	5.500%	3/1/25	2,125	2,199
<sup>2</sup> Post Holdings Inc.	5.000%	8/15/26	3,800	3,857
<sup>2</sup> Post Holdings Inc.	5.750%	3/1/27	970	1,000
<sup>2</sup> Post Holdings Inc.	5.625%	1/15/28	2,170	2,227
<sup>2</sup> Quintiles IMS Inc.	5.000%	10/15/26	2,050	2,122
Revlon Consumer Products Corp.	5.750%	2/15/21	570	509
Revlon Consumer Products Corp.	6.250%	8/1/24	2,130	1,459



# High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
3 Revlon Consumer Products Corp. Bank Loan	6.022%	9/7/23	176	146
3 Revlon Consumer Products Corp. Bank Loan	6.022%	9/7/23	593	495
2 Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,915	1,929
2 Sterigenics-Nordion Topco LLC	8.125%	11/1/21	725	725
Tenet Healthcare Corp.	4.500%	4/1/21	932	947
Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,573
Tenet Healthcare Corp.	4.625%	7/15/24	279	284
Teva Pharmaceutical Finance Netherlands III BV	3.150%	10/1/26	2,720	2,115
Teva Pharmaceutical Finance Netherlands III BV	6.750%	3/1/28	2,785	2,562
Teva Pharmaceutical Finance Netherlands III BV	4.100%	10/1/46	300	204
2 TreeHouse Foods Inc.	6.000%	2/15/24	2,100	2,184
2 Valeant Pharmaceuticals International Inc.	9.000%	12/15/25	815	909
2 Valeant Pharmaceuticals International Inc.	9.250%	4/1/26	520	581
2 Valeant Pharmaceuticals International Inc.	8.500%	1/31/27	1,150	1,262
2 VRX Escrow Corp.	6.125%	4/15/25	5,700	5,814
2 West Street Merger Sub Inc.	6.375%	9/1/25	4,455	4,121
<b>Energy (11.4%)</b>				
AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,482
AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,765	1,871
AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	650
AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,832
Andeavor Logistics LP / Tesoro Logistics Finance Corp.	5.250%	1/15/25	1,510	1,593
Antero Resources Corp.	5.125%	12/1/22	1,625	1,560
Cheniere Corpus Christi Holdings LLC	5.875%	3/31/25	95	106
Cheniere Corpus Christi Holdings LLC	5.125%	6/30/27	1,233	1,339
Chesapeake Energy Corp.	7.500%	10/1/26	975	863
Chesapeake Energy Corp.	8.000%	6/15/27	3,125	2,734
2 DCP Midstream LLC	5.350%	3/15/20	335	340
2 DCP Midstream Operating LP	4.750%	9/30/21	672	691
DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,493
DCP Midstream Operating LP	3.875%	3/15/23	801	810
Diamondback Energy Inc.	4.750%	11/1/24	175	179
Diamondback Energy Inc.	5.375%	5/31/25	1,130	1,188
Energy Transfer Operating LP	4.250%	3/15/23	2,430	2,536
Energy Transfer Operating LP	5.875%	1/15/24	1,656	1,840
Energy Transfer Operating LP	5.500%	6/1/27	3,592	4,007
Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,560	2,323
Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	1/15/22	474	418
Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	6/15/23	769	679
Laredo Petroleum Inc.	5.625%	1/15/22	2,107	1,965
Laredo Petroleum Inc.	6.250%	3/15/23	2,758	2,551
Matador Resources Co.	5.875%	9/15/26	3,315	3,348
2 MEG Energy Corp.	6.375%	1/30/23	850	808
2 MEG Energy Corp.	7.000%	3/31/24	1,139	1,082
2 MEG Energy Corp.	6.500%	1/15/25	2,850	2,857
2 NGPL PipeCo LLC	4.375%	8/15/22	400	413
2 NGPL PipeCo LLC	4.875%	8/15/27	475	505
2 Noble Holding International Ltd.	7.875%	2/1/26	460	396
2 Parsley Energy LLC / Parsley Finance Corp.	5.375%	1/15/25	1,344	1,378
2 Parsley Energy LLC / Parsley Finance Corp.	5.250%	8/15/25	190	193
QEP Resources Inc.	6.800%	3/1/20	220	223
QEP Resources Inc.	5.375%	10/1/22	1,270	1,235
QEP Resources Inc.	5.250%	5/1/23	1,262	1,215
2 Rockies Express Pipeline LLC	7.500%	7/15/38	1,134	1,293

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
2 Rockies Express Pipeline LLC	6.875%	4/15/40	420	468
Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,429
SESI LLC	7.125%	12/15/21	990	695
SESI LLC	7.750%	9/15/24	1,045	664
SM Energy Co.	6.125%	11/15/22	935	928
SM Energy Co.	5.000%	1/15/24	1,994	1,835
SM Energy Co.	5.625%	6/1/25	1,651	1,500
SM Energy Co.	6.750%	9/15/26	720	673
SM Energy Co.	6.625%	1/15/27	500	461
2 Southern Star Central Corp.	5.125%	7/15/22	480	484
Southwestern Energy Co.	6.200%	1/23/25	1,479	1,353
Sunoco LP / Sunoco Finance Corp.	4.875%	1/15/23	750	766
Sunoco LP / Sunoco Finance Corp.	5.500%	2/15/26	1,029	1,071
2 Sunoco LP / Sunoco Finance Corp.	6.000%	4/15/27	2,030	2,132
Sunoco LP / Sunoco Finance Corp.	5.875%	3/15/28	490	508
2 Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	4.750%	10/1/23	1,280	1,296
2 Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	5.500%	9/15/24	210	217
2 Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	5.500%	1/15/28	1,845	1,866
2 Targa Resources Partners LP / Targa Resources Partners Finance Corp.	6.875%	1/15/29	1,200	1,329
1,2 Transocean Guardian Ltd.	5.875%	1/15/24	1,670	1,697
1,2 Transocean Phoenix 2 Ltd.	7.750%	10/15/24	765	817
1,2 Transocean Pontus Ltd.	6.125%	8/1/25	1,357	1,398
1,2 Transocean Proteus Ltd.	6.250%	12/1/24	896	924
2 Vine Oil & Gas LP / Vine Oil & Gas Finance Corp.	8.750%	4/15/23	1,915	1,230
Whiting Petroleum Corp.	6.625%	1/15/26	3,281	3,174
WPX Energy Inc.	6.000%	1/15/22	732	763
WPX Energy Inc.	5.250%	9/15/24	3,734	3,818
WPX Energy Inc.	5.750%	6/1/26	370	384
<b>Other Industrial (0.7%)</b>				
2 Brand Energy & Infrastructure Services Inc.	8.500%	7/15/25	3,222	2,920
3 HD Supply Waterworks Ltd. Bank Loan	5.520%	8/1/24	126	125
3 HD Supply Waterworks Ltd. Bank Loan	5.520%	8/1/24	140	140
2 KAR Auction Services Inc.	5.125%	6/1/25	1,819	1,851
<b>Technology (7.6%)</b>				
Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,402
Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,612	2,612
CDK Global Inc.	5.875%	6/15/26	915	970
CDK Global Inc.	4.875%	6/1/27	585	604
2 CDK Global Inc.	5.250%	5/15/29	775	798
CDW LLC / CDW Finance Corp.	5.000%	9/1/23	985	1,007
CDW LLC / CDW Finance Corp.	5.500%	12/1/24	185	197
CDW LLC / CDW Finance Corp.	5.000%	9/1/25	910	947
3 Dun and Bradstreet Corp. Bank Loan	7.404%	2/8/26	1,870	1,870
4 Equinix Inc.	2.875%	2/1/26	3,115	3,702
Equinix Inc.	5.375%	5/15/27	1,365	1,464
3 First Data Corp. Bank Loan	4.404%	7/8/22	317	316
3 Grizzly Acquisitions Inc. Bank Loan	5.850%	10/1/25	739	738
Infor US Inc.	6.500%	5/15/22	3,060	3,110
Iron Mountain Inc.	5.750%	8/15/24	972	982
2 Iron Mountain Inc.	4.875%	9/15/27	595	590
3 Messer Industries Bank Loan	5.101%	3/1/26	745	734
3 Microchip Technology Inc. Bank Loan	4.410%	5/24/25	641	637
2 MSCI Inc.	5.250%	11/15/24	395	407
2 MSCI Inc.	5.750%	8/15/25	1,915	2,011
2 MSCI Inc.	4.750%	8/1/26	210	218
NCR Corp.	4.625%	2/15/21	1,555	1,555
Nokia Oyj	6.625%	5/15/39	3,550	3,887
2 Open Text Corp.	5.625%	1/15/23	1,070	1,097
2 Open Text Corp.	5.875%	6/1/26	1,895	2,009
Pitney Bowes Inc.	4.950%	4/1/23	2,370	2,234
Pitney Bowes Inc.	4.625%	3/15/24	60	54
Qorvo Inc.	5.500%	7/15/26	1,444	1,520

# High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>2</sup> Sensata Technologies BV	4.875%	10/15/23	300	312
<sup>2</sup> Sensata Technologies BV	5.625%	11/1/24	575	620
<sup>2</sup> Sensata Technologies BV	5.000%	10/1/25	1,625	1,694
<sup>2</sup> Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,613
<sup>3</sup> SS&C Technologies Holdings Inc. Bank Loan	4.652%	4/16/25	629	626
<sup>3</sup> SS&C Technologies Holdings Inc. Bank Loan	4.652%	4/16/25	917	913
<sup>3</sup> SS&C Technologies Holdings Inc. Bank Loan	4.652%	4/16/25	680	677
<sup>2</sup> SS&C Technologies Inc.	5.500%	9/30/27	3,575	3,709
<sup>2</sup> Symantec Corp.	5.000%	4/15/25	2,380	2,439
<sup>2,5</sup> Vantiv LLC / Vanity Issuer Corp.	3.875%	11/15/25	1,355	1,793
<sup>2</sup> Vantiv LLC / Vanity Issuer Corp.	4.375%	11/15/25	1,275	1,321
Western Digital Corp.	4.750%	2/15/26	2,519	2,472
<b>Transportation (0.4%)</b>				
Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,028	2,071
<sup>2</sup> Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	715	747
				<b>591,918</b>
<b>Utilities (1.1%)</b>				
<b>Electric (1.1%)</b>				
AES Corp.	4.500%	3/15/23	1,835	1,881
AES Corp.	4.875%	5/15/23	600	609
AES Corp.	5.500%	4/15/25	150	156
AES Corp.	6.000%	5/15/26	30	32
AES Corp.	5.125%	9/1/27	2,115	2,231
<sup>2</sup> NextEra Energy Operating Partners LP	4.250%	7/15/24	605	609
<sup>2</sup> NextEra Energy Operating Partners LP	4.250%	9/15/24	645	648
<sup>2</sup> NextEra Energy Operating Partners LP	4.500%	9/15/27	700	691
NRG Energy Inc.	7.250%	5/15/26	1,125	1,239
				<b>8,096</b>
<b>Total Corporate Bonds (Cost \$682,492)</b>				<b>688,191</b>
<b>Sovereign Bonds (0.3%)</b>				
<sup>2</sup> DAE Funding LLC	4.000%	8/1/20	130	131
<sup>2</sup> DAE Funding LLC	4.500%	8/1/22	1,264	1,280
<sup>2</sup> DAE Funding LLC	5.000%	8/1/24	1,020	1,059
<b>Total Sovereign Bonds (Cost \$2,423)</b>				<b>2,470</b>
Shares				
<b>Common Stocks (0.2%)</b>				
<b>Utilities (0.2%)</b>				
<sup>*,6</sup> Homer City Generation LP (Cost \$1,287)			62,633	1,287

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>Temporary Cash Investment (5.6%)</b>				
<b>Repurchase Agreement (5.6%)</b>				
Bank of America Securities, LLC (Dated 6/28/19, Repurchase Value \$41,309,000, collateralized by Government National Mortgage Assn. 3.000%, 11/20/46–6/20/49, with a value of \$42,126,000) (Cost \$41,300)				
	2.500%	7/1/19	41,300	41,300
<b>Total Investments (99.4%) (Cost \$727,502)</b>				<b>733,248</b>
				Amount (\$000)
<b>Other Assets and Liabilities (0.6%)</b>				
<b>Other Assets</b>				
Investment in Vanguard				37
Receivables for Investment Securities Sold				1,442
Receivables for Accrued Income				10,025
Receivables for Capital Shares Issued				274
Unrealized Appreciation—Forward Currency Contracts				35
Other Assets				240
<b>Total Other Assets</b>				<b>12,053</b>
<b>Liabilities</b>				
Payables for Investment Securities Purchased				(6,112)
Payables to Investment Advisor				(111)
Payables for Capital Shares Redeemed				(692)
Payables to Vanguard				(493)
<b>Total Liabilities</b>				<b>(7,408)</b>
<b>Net Assets (100%)</b>				
Applicable to 94,071,701 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)				737,893
<b>Net Asset Value Per Share</b>				<b>\$7.84</b>

At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	721,476
Total Distributable Earnings (Loss)	16,417
<b>Net Assets</b>	<b>737,893</b>

• 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 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, 2019, the aggregate value of these securities was \$302,495,000, representing 41.0% of net assets.

3 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, 2019, the aggregate value of these securities was \$20,350,000, representing 2.8% of net assets.

4 Face amount denominated in euro.

5 Face amount denominated in British pounds.

6 Security value determined using significant unobservable inputs.



## Derivative Financial Instruments Outstanding as of Period End

## Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation	Unrealized (Depreciation)
			Receive		Deliver	(\$000)	(\$000)
Goldman Sachs International	7/31/19	USD	12,300	EUR	10,765	27	—
Bank of America, N.A.	7/31/19	USD	1,889	GBP	1,479	8	—
						35	—

EUR—euro.

GBP—British pound.

USD—U.S. dollar.

## Statement of Operations

	Six Months Ended June 30, 2019 (\$000)
<b>Investment Income</b>	
<b>Income</b>	
Interest	20,880
Total Income	20,880
<b>Expenses</b>	
Investment Advisory Fees—Note B	220
The Vanguard Group—Note C	
Management and Administrative	675
Marketing and Distribution	36
Custodian Fees	9
Shareholders' Reports	6
Trustees' Expenses	—
Total Expenses	946
<b>Net Investment Income</b>	<b>19,934</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold	(1,124)
Swap Contracts	45
Forward Currency Contracts	318
Foreign Currencies	(4)
<b>Realized Net Gain (Loss)</b>	<b>(765)</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities	55,011
Swap Contracts	386
Forward Currency Contracts	11
Foreign Currencies	2
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>55,410</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>74,579</b>

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019 (\$000)	Year Ended December 31, 2018 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	19,934	39,756
Realized Net Gain (Loss)	(765)	5,329
Change in Unrealized Appreciation (Depreciation)	55,410	(65,575)
Net Increase (Decrease) in Net Assets Resulting from Operations	74,579	(20,490)
<b>Distributions</b>		
Net Investment Income	(42,939)	(35,316)
Realized Capital Gain	—	—
Total Distributions	(42,939)	(35,316)
<b>Capital Share Transactions</b>		
Issued	76,043	118,985
Issued in Lieu of Cash Distributions	42,939	35,316
Redeemed	(116,646)	(146,831)
Net Increase (Decrease) from Capital Share Transactions	2,336	7,470
Total Increase (Decrease)	33,976	(48,336)
<b>Net Assets</b>		
Beginning of Period	703,917	752,253
End of Period	737,893	703,917

See accompanying Notes, which are an integral part of the Financial Statements.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$7.53</b>	<b>\$8.13</b>	<b>\$7.99</b>	<b>\$7.59</b>	<b>\$8.14</b>	<b>\$8.24</b>
<b>Investment Operations</b>						
Net Investment Income	.212 <sup>1</sup>	.420 <sup>1</sup>	.419 <sup>1</sup>	.397	.427	.416
Net Realized and Unrealized Gain (Loss) on Investments	.579	(.636)	.119	.426	(.541)	(.061)
Total from Investment Operations	.791	(.216)	.538	.823	(.114)	.355
<b>Distributions</b>						
Dividends from Net Investment Income	(.481)	(.384)	(.398)	(.423)	(.423)	(.455)
Distributions from Realized Capital Gains	—	—	—	—	(.013)	—
Total Distributions	(.481)	(.384)	(.398)	(.423)	(.436)	(.455)
<b>Net Asset Value, End of Period</b>	<b>\$7.84</b>	<b>\$7.53</b>	<b>\$8.13</b>	<b>\$7.99</b>	<b>\$7.59</b>	<b>\$8.14</b>
<b>Total Return</b>	<b>10.73%</b>	<b>-2.73%</b>	<b>7.00%</b>	<b>11.35%</b>	<b>-1.58%</b>	<b>4.40%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$738	\$704	\$752	\$622	\$521	\$534
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.28%	0.28%	0.28%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.49%	5.39%	5.22%	5.44%	5.41%	5.24%
Portfolio Turnover Rate	27%	23%	28%	27%	38%	35%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

<sup>1</sup> Calculation based on average shares outstanding.

## Notes to Financial Statements

The 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, 2019, 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, 2019, the portfolio's average amounts of investments in credit protection sold and credit protection purchased represented less than 1% and 0%, respectively, of net assets, based on the average of notional amounts at each quarter-end during the period. The portfolio had no open swap contracts at June 30, 2019.

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, 2015–2018), and for the period ended June 30, 2019, 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. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

8. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 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, 2019, or at any time during the period then ended.

9. Other: Interest income is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. 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, 2019, 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, 2019, the portfolio had contributed to Vanguard capital in the amount of \$37,000, representing 0.01% of the portfolio's net assets and 0.01% 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, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Corporate Bonds	—	688,191	—
Sovereign Bonds	—	2,470	—
Common Stocks	—	—	1,287
Temporary Cash Investments	—	41,300	—
Forward Currency Contracts—Assets	—	35	—
Total	—	731,996	1,287

E. At June 30, 2019, 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	—	—	—
Unrealized Appreciation—Forward Currency Contracts	35	—	35
Total Assets	35	—	35
Variation Margin Payable—Swap Contracts	—	—	—
Unrealized Depreciation—Forward Currency Contracts	—	—	—

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2019, were:

	Foreign Exchange Contracts (\$000)	Credit Contracts (\$000)	Total (\$000)
Realized Net Gain (Loss) on Derivatives			
Forward Currency Contracts	318	—	318
Swap Contracts	—	45	45
Realized Net Gain (Loss) on Derivatives	318	45	363
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	11	—	11
Swap Contracts	—	386	386
Change in Unrealized Appreciation (Depreciation) on Derivatives	11	386	397

F. As of June 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	727,502
Gross Unrealized Appreciation	20,406
Gross Unrealized Depreciation	(14,625)
Net Unrealized Appreciation/(Depreciation)	5,781

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, 2018, the portfolio had available capital losses totaling \$6,381,000 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, 2019; should the portfolio realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

G. During the six months ended June 30, 2019, the portfolio purchased \$88,288,000 of investment securities and sold \$101,293,000 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, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	9,764	15,135
Issued in Lieu of Cash Distributions	5,672	4,616
Redeemed	(14,889)	(18,772)
Net Increase (Decrease) in Shares Outstanding	547	979

At June 30, 2019, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 49% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

I. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.



## 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 high-yield issuers, seeking to identify those 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. 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.

### **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.

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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You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



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**Semiannual Report** | June 30, 2019

# Vanguard Variable Insurance Fund

Mid-Cap Index Portfolio

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Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund’s annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://vanguard.com).

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# Mid-Cap Index Portfolio

## 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, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Mid-Cap Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,217.77	\$0.93
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.95	0.85

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 0.17%. 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).

## Sector Diversification

As of June 30, 2019

Basic Materials	3.5%
Consumer Goods	8.9
Consumer Services	11.4
Financials	20.5
Health Care	8.9
Industrials	19.5
Oil & Gas	4.7
Technology	15.8
Telecommunications	0.5
Utilities	6.3

The table reflects the portfolio's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Industry Classification Benchmark ("ICB"), except for the "Other" category (if applicable), which includes securities that have not been provided an ICB classification as of the effective reporting period.

## Financial Statements (unaudited)

## Statement of Net Assets

As of June 30, 2019

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (99.7%)<sup>1</sup></b>								
<b>Basic Materials (3.5%)</b>			* Capri Holdings Ltd.	33,445	1,160	* Liberty Broadband Corp. Class A	12,465	1,282
Newmont Goldcorp Corp.	376,926	14,518	* Levi Strauss & Co. Class A	18,700	390	^* Lyft Inc. Class A	19,406	1,275
Freeport-McMoRan Inc.	643,476	7,471	Lennar Corp. Class B	6,899	266	* TripAdvisor Inc.	25,124	1,163
					<b>179,280</b>	* Qurate Retail Group Inc. QVC Group Class A	93,544	1,159
^ International Flavors & Fragrances Inc.	49,667	7,206	<b>Consumer Services (11.3%)</b>			Nordstrom Inc.	25,294	806
Celanese Corp. Class A	59,120	6,373	* Dollar Tree Inc.	111,086	11,930	* Chewy Inc.	21,500	753
FMC Corp.	61,442	5,097	Royal Caribbean Cruises Ltd.	78,082	9,464	^* Carvana Co. Class A	10,500	657
CF Industries Holdings Inc.	103,230	4,822	* Chipotle Mexican Grill Inc. Class A	12,905	9,458	Viacom Inc. Class A	4,664	159
Eastman Chemical Co.	58,537	4,556	* Ulta Beauty Inc.	25,815	8,955	News Corp. Class B	3,475	49
Avery Dennison Corp.	39,317	4,548	Omnicom Group Inc.	98,468	8,069			<b>228,117</b>
Mosaic Co.	162,078	4,057	Best Buy Co. Inc.	106,300	7,412	<b>Financials (20.5%)</b>		
Nucor Corp.	65,993	3,636	Expedia Group Inc.	53,970	7,180	* SBA Communications Corp. Class A	52,701	11,849
Albemarle Corp.	49,201	3,464	Darden Restaurants Inc.	57,243	6,968	Digital Realty Trust Inc.	97,088	11,436
* Axalta Coating Systems Ltd.	49,197	1,464	* Liberty Broadband Corp.	66,776	6,959	* IHS Markit Ltd.	175,606	11,190
Reliance Steel & Aluminum Co.	14,882	1,408	* Copart Inc.	90,649	6,775	M&T Bank Corp.	60,468	10,284
Westlake Chemical Corp.	17,747	1,233	* CarMax Inc.	77,563	6,735	Realty Income Corp.	147,305	10,160
		<b>69,853</b>	* AutoZone Inc.	5,765	6,338	Hartford Financial Services Group Inc.	168,382	9,382
<b>Consumer Goods (8.9%)</b>			Tractor Supply Co.	56,150	6,109	MSCI Inc. Class A	37,467	8,947
* Lululemon Athletica Inc.	51,497	9,280	MGM Resorts International	213,306	6,094	Essex Property Trust Inc.	30,593	8,931
Clorox Co.	59,355	9,088	AmerisourceBergen Corp. Class A	71,134	6,065	KeyCorp	470,103	8,344
McCormick & Co. Inc.	56,934	8,825	American Airlines Group Inc.	180,070	5,872	* CBRE Group Inc. Class A	148,739	7,630
Church & Dwight Co. Inc.	114,510	8,366	* Norwegian Cruise Line Holdings Ltd.	100,404	5,385	Equifax Inc.	56,174	7,597
DR Horton Inc.	165,099	7,121	Domino's Pizza Inc.	19,120	5,321	Citizens Financial Group Inc.	214,067	7,569
Genuine Parts Co.	64,814	6,713	Wynn Resorts Ltd.	42,654	5,289	First Republic Bank	77,440	7,562
Lennar Corp. Class A	133,086	6,449	FactSet Research Systems Inc.	17,760	5,089	Arthur J Gallagher & Co.	86,180	7,549
Conagra Brands Inc.	226,157	5,998	Tiffany & Co.	53,880	5,045	Principal Financial Group Inc.	130,058	7,533
* Take-Two Interactive Software Inc.	52,356	5,944	Viacom Inc. Class B	165,172	4,934	Cincinnati Financial Corp.	72,052	7,470
Hasbro Inc.	55,592	5,875	Advance Auto Parts Inc.	31,751	4,894	Alexandria Real Estate Equities Inc.	52,623	7,425
JM Smucker Co.	50,240	5,787	* United Continental Holdings Inc.	52,464	4,593	Moody's Corp.	37,570	7,338
Tyson Foods Inc. Class A	68,569	5,536	* Discovery Communications Inc.	159,916	4,550	HCP Inc.	223,224	7,139
* NVR Inc.	1,501	5,059	* Live Nation Entertainment Inc.	64,000	4,240	Regions Financial Corp.	473,159	7,069
^ Hormel Foods Corp.	124,523	5,048	Aramark	115,071	4,149	Huntington Bancshares Inc.	488,733	6,754
Garmin Ltd.	61,781	4,930	Interpublic Group of Cos. Inc.	180,810	4,085	* Market Corp.	6,125	6,674
Aptiv plc	60,187	4,865	* DISH Network Corp. Class A	102,408	3,933	* Arch Capital Group Ltd.	178,450	6,617
Molson Coors Brewing Co. Class B	82,422	4,616	* Altice USA Inc. Class A	160,482	3,908	AvalonBay Communities Inc.	32,510	6,605
Lamb Weston Holdings Inc.	68,009	4,309	Nielsen Holdings plc	166,038	3,752	Loews Corp.	120,692	6,598
Tapestry Inc.	135,504	4,300	Alaska Air Group Inc.	57,633	3,683	WP Carey Inc.	79,400	6,446
Whirlpool Corp.	29,595	4,213	Kohl's Corp.	75,805	3,605	Host Hotels & Resorts Inc.	345,986	6,304
* Wayfair Inc.	28,400	4,146	News Corp. Class A	234,221	3,160	Mid-America Apartment Communities Inc.	53,048	6,247
Lear Corp.	29,160	4,061	Macy's Inc.	144,270	3,096	Annaly Capital Management Inc.	677,676	6,187
BorgWarner Inc.	96,109	4,035	L Brands Inc.	108,644	2,836	KKR & Co. Inc. Class A	241,292	6,097
* Mohawk Industries Inc.	26,953	3,975	* Liberty Media Corp-Liberty SiriusXM Class C	74,057	2,813	Lincoln National Corp.	94,272	6,076
Fortune Brands Home & Security Inc.	64,980	3,712	Rollins Inc.	76,498	2,744	Extra Space Storage Inc.	56,523	5,997
* LKQ Corp.	138,792	3,693	Gap Inc.	132,572	2,382	UDR Inc.	131,066	5,884
PulteGroup Inc.	116,023	3,669	* Discovery Communications Inc. Class A	70,104	2,152	Ally Financial Inc.	184,867	5,729
Campbell Soup Co.	91,376	3,661	Vail Resorts Inc.	9,300	2,076	* SVB Financial Group	24,206	5,436
Bunge Ltd.	62,809	3,499	* Liberty Media Corp-Liberty SiriusXM Class A	37,745	1,427	Cboe Global Markets Inc.	51,865	5,375
PVH Corp.	35,146	3,326	Hyatt Hotels Corp. Class A	16,948	1,290	Duke Realty Corp.	167,244	5,287
* WABCO Holdings Inc.	23,780	3,153				Comerica Inc.	72,038	5,233
Newell Brands Inc.	176,632	2,724				Regency Centers Corp.	77,919	5,200
Ralph Lauren Corp. Class A	22,982	2,611				Nasdaq Inc.	53,961	5,189
^* Under Armour Inc. Class A	88,015	2,231				Invitation Homes Inc.	193,953	5,184
* Under Armour Inc. Class C	89,569	1,988						
Coty Inc. Class A	140,116	1,878						
Hanesbrands Inc.	84,350	1,453						
Harley-Davidson Inc.	37,032	1,327						



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	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Vornado Realty Trust	80,204	5,141	* Exact Sciences Corp.	30,000	3,541	Robert Half International Inc.	52,816	3,011
E*TRADE Financial Corp.	113,828	5,077	* Seattle Genetics Inc.	48,958	3,388	Pentair plc	80,220	2,984
Raymond James Financial Inc.	59,005	4,989	* DaVita Inc.	57,859	3,255	* IPG Photonics Corp.	16,141	2,490
Fidelity National Financial Inc.	121,449	4,894	* Perrigo Co. plc	56,713	2,701	Jack Henry & Associates Inc.	18,000	2,411
Camden Property Trust	44,965	4,694	* Nektar Therapeutics Class A	40,654	1,446	Cognex Corp.	37,741	1,811
Everest Re Group Ltd.	18,916	4,676			<b>178,478</b>	FLIR Systems Inc.	31,791	1,720
Reinsurance Group of America Inc. Class A	29,125	4,544	<b>Industrials (19.4%)</b>			HEICO Corp. Class A	16,000	1,654
Federal Realty Investment Trust	35,006	4,507	* Fiserv Inc.	182,800	16,664	Flowserve Corp.	30,375	1,600
Franklin Resources Inc.	129,420	4,504	Amphenol Corp. Class A	139,212	13,356	AO Smith Corp.	32,589	1,537
Weyerhaeuser Co.	168,635	4,442	Waste Connections Inc.	122,661	11,724	* Arrow Electronics Inc.	19,824	1,413
* Alleghany Corp.	6,347	4,323	Global Payments Inc.	73,213	11,724	HEICO Corp.	9,900	1,325
AGNC Investment Corp.	249,590	4,198	Willis Towers Watson plc	60,190	11,529	Allison Transmission Holdings Inc.	27,719	1,285
Iron Mountain Inc.	134,000	4,194	* FleetCor Technologies Inc.	40,139	11,273	^* XPO Logistics Inc.	21,451	1,240
WR Berkley Corp.	63,521	4,188	Ball Corp.	155,632	10,893	^ ADT Inc.	26,560	162
Torchmark Corp.	45,942	4,110	* TransDigm Group Inc.	22,270	10,774			<b>391,530</b>
VEREIT Inc.	452,466	4,077	Verisk Analytics Inc. Class A	72,263	10,584	<b>Oil &amp; Gas (4.6%)</b>		
Western Union Co.	200,191	3,982	Cintas Corp.	41,436	9,832	ONEOK Inc.	192,207	13,226
Zions Bancorp NA	85,044	3,910	* Mettler-Toledo International Inc.	11,559	9,709	Concho Resources Inc.	93,453	9,642
Invesco Ltd.	188,940	3,866	AMETEK Inc.	106,376	9,663	Diamondback Energy Inc.	76,672	8,355
Voya Financial Inc.	67,267	3,720	Total System Services Inc.	74,158	9,512	Hess Corp.	127,169	8,084
Kimco Realty Corp.	187,198	3,459	* CoStar Group Inc.	17,039	9,441	* Cheniere Energy Inc.	107,817	7,380
SEI Investments Co.	60,537	3,396	L3 Technologies Inc.	36,893	9,045	Marathon Oil Corp.	381,737	5,425
SL Green Realty Corp.	39,351	3,163	* Worldpay Inc. Class A	72,488	8,883	Devon Energy Corp.	184,000	5,248
People's United Financial Inc.	184,971	3,104	Roper Technologies Inc.	24,146	8,844	Apache Corp.	175,325	5,079
* Athene Holding Ltd. Class A	71,928	3,097	Fastenal Co.	266,670	8,691	Noble Energy Inc.	223,215	5,000
Unum Group	88,679	2,975	Vulcan Materials Co.	61,672	8,468	Cabot Oil & Gas Corp.	197,012	4,523
AXA Equitable Holdings Inc.	136,704	2,857	* Keysight Technologies Inc.	87,600	7,867	Targa Resources Corp.	108,498	4,260
Jones Lang LaSalle Inc.	10,751	1,513	Xylem Inc.	83,986	7,025	National Oilwell Varco Inc.	179,998	4,001
Affiliated Managers Group Inc.	11,963	1,102	Broadridge Financial Solutions Inc.	54,202	6,920	OGE Energy Corp.	93,028	3,959
Macerich Co.	32,909	1,102	* First Data Corp. Class A	254,322	6,884	HollyFrontier Corp.	71,283	3,299
Jefferies Financial Group Inc.	54,291	1,044	Dover Corp.	67,657	6,779	Baker Hughes a GE Co. Class A	119,452	2,942
		<b>412,371</b>	Martin Marietta Materials Inc.	29,184	6,715	* Continental Resources Inc.	43,613	1,836
<b>Health Care (8.9%)</b>			* Waters Corp.	30,785	6,626	Cimarex Energy Co.	23,619	1,401
* IQVIA Holdings Inc.	78,126	12,570	TransUnion	87,456	6,429			<b>93,660</b>
* IDEXX Laboratories Inc.	40,100	11,041	Expeditors International of Washington Inc.	80,249	6,088	<b>Technology (15.8%)</b>		
* Centene Corp.	183,366	9,616	VWV Grainger Inc.	21,926	5,881	* Red Hat Inc.	78,570	14,752
* Align Technology Inc.	33,540	9,180	Textron Inc.	108,247	5,741	Xilinx Inc.	118,221	13,941
ResMed Inc.	66,769	8,148	Kansas City Southern	46,957	5,720	* Advanced Micro Devices Inc.	453,186	13,763
* Laboratory Corp. of America Holdings	46,074	7,966	* Square Inc.	78,517	5,695	Motorola Solutions Inc.	76,657	12,781
Cooper Cos. Inc.	22,963	7,736	Masco Corp.	137,247	5,386	* Twitter Inc.	340,150	11,871
* Incyte Corp.	85,105	7,231	CH Robinson Worldwide Inc.	63,557	5,361	Cerner Corp.	144,022	10,557
* BioMarin Pharmaceutical Inc.	83,628	7,163	Wabtec Corp.	74,662	5,358	* VeriSign Inc.	49,954	10,448
Teleflex Inc.	21,523	7,127	Jacobs Engineering Group Inc.	63,487	5,358	Harris Corp.	55,172	10,435
* WellCare Health Plans Inc.	23,500	6,699	* Trimble Inc.	117,026	5,279	* Veeva Systems Inc. Class A	59,500	9,646
Cardinal Health Inc.	139,200	6,556	Old Dominion Freight Line Inc.	33,978	5,071	Microchip Technology Inc.	110,420	9,573
Quest Diagnostics Inc.	62,806	6,394	* United Rentals Inc.	36,522	4,844	* Cadence Design Systems Inc.	130,831	9,264
Dentsply Sirona Inc.	108,909	6,356	Westrock Co.	120,013	4,377	* Synopsys Inc.	69,721	8,972
* DexCom Inc.	42,400	6,353	Arconic Inc.	167,619	4,328	KLAA-Tencor Corp.	75,279	8,898
* Hologic Inc.	125,159	6,010	Snap-on Inc.	25,892	4,289	* Splunk Inc.	69,903	8,790
* Varian Medical Systems Inc.	42,428	5,776	Packaging Corp. of America	44,116	4,205	* Palo Alto Networks Inc.	42,473	8,654
* Elanco Animal Health Inc.	170,765	5,772	Huntington Ingalls Industries Inc.	18,469	4,151	* ANSYS Inc.	39,090	8,006
* ABIOMED Inc.	19,946	5,196	* Crown Holdings Inc.	62,928	3,845	* IAC/InterActiveCorp	36,467	7,933
* Henry Schein Inc.	69,492	4,858	JB Hunt Transport Services Inc.	40,673	3,718	Maxim Integrated Products Inc.	126,904	7,591
Universal Health Services Inc. Class B	36,742	4,791	* Sensata Technologies Holding plc	75,366	3,693	CDW Corp.	67,991	7,547
* Mylan NV	231,735	4,412	Hubbell Inc. Class B	25,297	3,299	NetApp Inc.	115,280	7,113
* Alnylam Pharmaceuticals Inc.	49,805	3,614	Xerox Corp.	88,974	3,151	* Twilio Inc. Class A	51,901	7,077
* Jazz Pharmaceuticals plc	25,126	3,582	Sealed Air Corp.	72,683	3,109	Marvell Technology Group Ltd.	292,467	6,981
			Alliance Data Systems Corp.	22,020	3,086	* Arista Networks Inc.	25,005	6,492
						* Gartner Inc.	39,887	6,419
						Skyworks Solutions Inc.	80,326	6,207
						Western Digital Corp.	129,955	6,179

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	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Symantec Corp.	273,383	5,949	NRG Energy Inc.	59,300	2,083
* Akamai Technologies Inc.	72,766	5,832	Avangrid Inc.	28,345	1,431
SS&C Technologies Holdings Inc.	100,013	5,762			127,694
* GoDaddy Inc. Class A	82,016	5,754	<b>Total Common Stocks (Cost \$1,598,638)</b>		<b>2,007,817</b>
Citrix Systems Inc.	58,215	5,713	<b>Temporary Cash Investments (0.6%)<sup>1</sup></b>		
Seagate Technology plc	116,463	5,488	<b>Money Market Fund (0.6%)</b>		
* Fortinet Inc.	67,500	5,186	<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.499%	110,427	11,045
* Snap Inc.	321,918	4,604		Face Amount (\$000)	
Juniper Networks Inc.	160,693	4,279			
* F5 Networks Inc.	27,836	4,054	<b>U.S. Government and Agency Obligations (0.0%)</b>		
* Black Knight Inc.	66,240	3,984	<sup>4</sup> United States Treasury Bill, 2.349%, 8/15/19	200	199
* Qorvo Inc.	55,582	3,702			
DXC Technology Co.	58,231	3,212	<b>Total Temporary Cash Investments (Cost \$11,244)</b>		<b>11,244</b>
* Okta Inc.	24,100	2,977	<b>Total Investments (100.3%) (Cost \$1,609,882)</b>		<b>2,019,061</b>
* Paycom Software Inc.	11,500	2,607			
* Dropbox Inc. Class A	84,833	2,125			
* Slack Technologies Inc. Class A	45,578	1,709			
<sup>^</sup> Match Group Inc.	24,955	1,679			
CDK Global Inc.	28,406	1,404			
* Pinterest Inc. Class A	40,268	1,096			
* CrowdStrike Holdings Inc. Class A	8,300	567			
		317,573			
<b>Telecommunications (0.5%)</b>					
CenturyLink Inc.	458,255	5,389	<b>Other Assets and Liabilities (-0.3%)</b>		
* Zayo Group Holdings Inc.	93,520	3,078	<b>Other Assets</b>		
<sup>^,*</sup> Zoom Video Communications Inc. Class A	8,942	794	Investment in Vanguard		92
		9,261	Receivables for Investment Securities Sold		4,102
<b>Utilities (6.3%)</b>			Receivables for Accrued Income		2,275
WEC Energy Group Inc.	146,771	12,236	Receivables for Capital Shares Issued		668
Eversource Energy	149,348	11,315	Variation Margin Receivable—Futures Contracts		31
DTE Energy Co.	85,349	10,914	Other Assets <sup>4</sup>		198
FirstEnergy Corp.	247,668	10,603	<b>Total Other Assets</b>		<b>7,366</b>
American Water Works Co. Inc.	83,885	9,731	<b>Liabilities</b>		
Entergy Corp.	88,532	9,113	Payables for Investment Securities Purchased		(1,778)
Ameren Corp.	114,330	8,587	Collateral for Securities on Loan		(8,054)
CMS Energy Corp.	132,286	7,661	Payables for Capital Shares Redeemed		(2,563)
Eversource Inc.	117,735	7,082	Payables to Vanguard		(731)
CenterPoint Energy Inc.	234,273	6,707	<b>Total Liabilities</b>		<b>(13,126)</b>
* PG&E Corp.	246,372	5,647	<b>Net Assets (100%)</b>		
Alliant Energy Corp.	110,334	5,415	<b>Applicable to 90,048,583 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)</b>		<b>2,013,301</b>
AES Corp.	308,746	5,174	<b>Net Asset Value Per Share</b>		<b>\$22.36</b>
NiSource Inc.	173,603	5,000			
Pinnacle West Capital Corp.	52,195	4,911			
Vistra Energy Corp.	180,395	4,084			

At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,543,024
Total Distributable Earnings (Loss)	470,277
<b>Net Assets</b>	<b>2,013,301</b>

• See Note A in Notes to Financial Statements.

<sup>^</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$7,869,000.

\* Non-income-producing security.

<sup>1</sup> 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 0.3%, respectively, of net assets.

<sup>2</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

<sup>3</sup> Includes \$8,054,000 of collateral received for securities on loan.

<sup>4</sup> Securities with a value of \$199,000 and cash of \$173,000 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)
<b>Long Futures Contracts</b>				
E-mini S&P 500 Index	September 2019	30	4,416	36
E-mini S&P Mid-Cap 400 Index	September 2019	5	975	23
				59

See accompanying Notes, which are an integral part of the Financial Statements.

## Statement of Operations

	Six Months Ended June 30, 2019 (\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	13,831
Interest <sup>1</sup>	58
Securities Lending—Net	65
<b>Total Income</b>	<b>13,954</b>
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	224
Management and Administrative	1,242
Marketing and Distribution	83
Custodian Fees	15
Shareholders' Reports	12
Trustees' Fees and Expenses	—
<b>Total Expenses</b>	<b>1,576</b>
Expenses Paid Indirectly	(8)
<b>Net Expenses</b>	<b>1,568</b>
<b>Net Investment Income</b>	<b>12,386</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	50,875
Futures Contracts	678
<b>Realized Net Gain (Loss)</b>	<b>51,553</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	288,535
Futures Contracts	245
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>288,780</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>352,719</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$53,000, \$3,000, and \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019 (\$000)	Year Ended December 31, 2018 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	12,386	27,241
Realized Net Gain (Loss)	51,553	143,656
Change in Unrealized Appreciation (Depreciation)	288,780	(339,835)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>352,719</b>	<b>(168,938)</b>
<b>Distributions</b>		
Net Investment Income	(27,995)	(21,762)
Realized Capital Gain <sup>1</sup>	(144,308)	(88,481)
<b>Total Distributions</b>	<b>(172,303)</b>	<b>(110,243)</b>
<b>Capital Share Transactions</b>		
Issued	167,667	255,681
Issued in Lieu of Cash Distributions	172,303	110,243
Redeemed	(128,342)	(269,732)
<b>Net Increase (Decrease) from Capital Share Transactions</b>	<b>211,628</b>	<b>96,192</b>
<b>Total Increase (Decrease)</b>	<b>392,044</b>	<b>(182,989)</b>
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>1,621,257</b>	<b>1,804,246</b>
<b>End of Period</b>	<b>2,013,301</b>	<b>1,621,257</b>

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$4,013,000 and \$3,072,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$20.23</b>	<b>\$23.72</b>	<b>\$21.11</b>	<b>\$20.76</b>	<b>\$22.49</b>	<b>\$20.77</b>
<b>Investment Operations</b>						
Net Investment Income	.147 <sup>1</sup>	.343 <sup>1</sup>	.292 <sup>1</sup>	.280	.291	.266
Net Realized and Unrealized Gain (Loss) on Investments	4.138	(2.386)	3.575	1.814	(.552)	2.446
Total from Investment Operations	4.285	(2.043)	3.867	2.094	(.261)	2.712
<b>Distributions</b>						
Dividends from Net Investment Income	(.350)	(.286)	(.270)	(.292)	(.268)	(.200)
Distributions from Realized Capital Gains	(1.805)	(1.161)	(.987)	(1.452)	(1.201)	(.792)
Total Distributions	(2.155)	(1.447)	(1.257)	(1.744)	(1.469)	(.992)
<b>Net Asset Value, End of Period</b>	<b>\$22.36</b>	<b>\$20.23</b>	<b>\$23.72</b>	<b>\$21.11</b>	<b>\$20.76</b>	<b>\$22.49</b>
<b>Total Return</b>	<b>21.78%</b>	<b>-9.33%</b>	<b>19.08%</b>	<b>11.11%</b>	<b>-1.43%</b>	<b>13.59%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$2,013	\$1,621	\$1,804	\$1,495	\$1,363	\$1,364
Ratio of Total Expenses to Average Net Assets	0.17%	0.17%	0.19%	0.19%	0.19%	0.24%
Ratio of Net Investment Income to Average Net Assets	1.41%	1.49%	1.32%	1.40%	1.35%	1.29%
Portfolio Turnover Rate	19%	21%	18%	21%	23%	16%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

<sup>1</sup> Calculated based on average shares outstanding.

## Notes to Financial Statements

The 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. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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, 2019, 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, 2015–2018), and for the period ended June 30, 2019, 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. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

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 \$4.3 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, 2019, 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 are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. 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, 2019, the portfolio had contributed to Vanguard capital in the amount of \$92,000, representing 0.00% 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.** The portfolio's custodian bank has agreed to reduce its fees when the portfolio maintains cash on deposit in the non-interest-bearing custody account. For the six months ended June 30, 2019, custodian fee offset arrangements reduced the portfolio's expenses by \$8,000 (an annual rate of 0.00% of average net assets).

**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, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	2,007,817	—	—
Temporary Cash Investments	11,045	199	—
Futures Contracts—Assets <sup>1</sup>	31	—	—
Total	2,018,893	199	—

<sup>1</sup> Represents variation margin on the last day of the reporting period.

E. As of June 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	1,609,882
Gross Unrealized Appreciation	524,257
Gross Unrealized Depreciation	(115,019)
Net Unrealized Appreciation (Depreciation)	409,238

F. During the six months ended June 30, 2019, the portfolio purchased \$231,332,000 of investment securities and sold \$178,685,000 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, 2019, such purchases and sales were \$34,179,000 and \$88,554,000, respectively; these amounts are included in the purchases and sales of investment securities noted above.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	7,614	11,048
Issued in Lieu of Cash Distributions	8,135	4,812
Redeemed	(5,859)	(11,768)
Net Increase (Decrease) in Shares Outstanding	9,890	4,092

At June 30, 2019, 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 41% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

H. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.



## 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.

### **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.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

### **The benefit of economies of scale**

The board concluded that the portfolio's 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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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](https://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [sec.gov](https://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](https://vanguard.com/proxyreporting) or [sec.gov](https://sec.gov).

You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



**Semiannual Report** | June 30, 2019

# Vanguard Variable Insurance Fund

Real Estate Index Portfolio

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.

**Important information about access to shareholder reports**

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund’s annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://vanguard.com).

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to [vanguard.com](https://vanguard.com). Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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# Real Estate Index Portfolio

## 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, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Real Estate Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,192.44	\$1.41
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.51	1.30

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 0.26%. 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).

## Subindustry Diversification

As of June 30, 2019

Diversified REITs	4.9%
Health Care REITs	9.6
Hotel & Resort REITs	4.5
Industrial REITs	7.8
Office REITs	9.3
Residential REITs	14.4
Retail REITs	12.9
Specialized REITs	33.1
Real Estate Management and Development	3.5

The table reflects the portfolio's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting 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.

# Financial Statements (unaudited)

## Statement of Net Assets

As of June 30, 2019

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Equity Real Estate Investment Trusts (REITs) (96.3%)<sup>1</sup></b>								
<b>Diversified REITs (4.9%)</b>								
WP Carey Inc.	161,230	13,089	Apple Hospitality REIT Inc.	206,253	3,271	Corporate Office Properties Trust	107,414	2,832
VEREIT Inc.	942,282	8,490	Sunstone Hotel Investors Inc.	221,371	3,035	Paramount Group Inc.	180,778	2,533
Liberty Property Trust	143,645	7,188	RLJ Lodging Trust	170,166	3,019	Brandywine Realty Trust	171,814	2,460
STORE Capital Corp.	197,296	6,548	MGM Growth Properties LLC Class A	88,554	2,714	Piedmont Office Realty Trust Inc. Class A	121,012	2,412
PS Business Parks Inc.	19,981	3,367	Xenia Hotels & Resorts Inc.	109,237	2,278	Columbia Property Trust Inc.	113,031	2,344
Colony Capital Inc.	452,194	2,261	DiamondRock Hospitality Co.	197,239	2,039	Mack-Cali Realty Corp.	87,373	2,035
American Assets Trust Inc.	47,447	2,236	Chesapeake Lodging Trust	59,669	1,696	Office Properties Income Trust	46,595	1,224
Empire State Realty Trust Inc.	143,713	2,128	Summit Hotel Properties Inc.	101,743	1,167	Easterly Government Properties Inc.	58,950	1,068
Washington REIT	77,355	2,068	Chatham Lodging Trust	45,042	850	Franklin Street Properties Corp.	104,158	769
Lexington Realty Trust	204,639	1,926	Hersha Hospitality Trust Class A	36,250	600	NorthStar Realty Europe Corp.	38,516	633
Global Net Lease Inc.	81,149	1,592	CorePoint Lodging Inc.	40,244	499	City Office REIT Inc.	38,414	461
Alexander & Baldwin Inc.	66,218	1,530	Ashford Hospitality Trust Inc.	94,335	280			
Essential Properties Realty Trust Inc.	46,133	924	Braemar Hotels & Resorts Inc.	26,792	265			
iStar Inc.	65,453	813						
Armada Hoffer Properties Inc.	48,089	796						
Gladstone Commercial Corp.	28,273	600						
One Liberty Properties Inc.	13,817	400						
<sup>5</sup> Winthrop Realty Trust	32,397	35						
		<b>55,991</b>			<b>51,711</b>			<b>106,950</b>
<b>Health Care REITs (9.6%)</b>			<b>Industrial REITs (7.9%)</b>			<b>Residential REITs (14.3%)</b>		
Welltower Inc.	375,948	30,651	Prologis Inc.	613,790	49,165	AvalonBay Communities Inc.	134,644	27,357
Ventas Inc.	346,759	23,701	Duke Realty Corp.	349,446	11,046	Equity Residential	359,486	27,292
HCP Inc.	464,525	14,856	Americold Realty Trust	170,554	5,529	Essex Property Trust Inc.	63,875	18,647
Omega Healthcare Investors Inc.	209,339	7,693	First Industrial Realty Trust Inc.	123,307	4,530	Mid-America Apartment Communities Inc.	110,613	13,026
Medical Properties Trust Inc.	360,768	6,292	EastGroup Properties Inc.	35,572	4,126	UDR Inc.	267,958	12,029
Healthcare Trust of America Inc. Class A	199,891	5,483	Rexford Industrial Realty Inc.	94,331	3,808	Invitation Homes Inc.	433,362	11,584
Healthcare Realty Trust Inc.	122,163	3,826	STAG Industrial Inc.	110,085	3,329	Sun Communities Inc.	83,954	10,762
Sabra Health Care REIT Inc.	174,338	3,433	Terreno Realty Corp.	59,606	2,923	Equity LifeStyle Properties Inc.	83,020	10,074
National Health Investors Inc.	41,826	3,264	Hannon Armstrong Sustainable Infrastructure Capital Inc.	60,021	1,691	Camden Property Trust	93,877	9,800
Physicians Realty Trust	178,597	3,115	Industrial Logistics Properties Trust	63,853	1,329	Apartment Investment & Management Co.	143,377	7,186
CareTrust REIT Inc.	87,216	2,074	Monmouth Real Estate Investment Corp.	85,069	1,153	American Homes 4 Rent Class A	259,257	6,302
Senior Housing Properties Trust	230,719	1,908	<sup>A</sup> Innovative Industrial Properties Inc.	9,071	1,121	American Campus Communities Inc.	133,214	6,149
LTC Properties Inc.	38,376	1,752				Independence Realty Trust Inc.	85,825	993
Universal Health Realty Income Trust	12,708	1,079				NexPoint Residential Trust Inc.	18,096	749
Community Healthcare Trust Inc.	17,353	684				Investors Real Estate Trust Preferred Apartment Communities Inc. Class A	40,485	605
New Senior Investment Group Inc.	80,535	541				Front Yard Residential Corp.	49,478	604
		<b>110,352</b>			<b>89,750</b>	UMH Properties Inc.	32,304	401
<b>Hotel &amp; Resort REITs (4.5%)</b>			<b>Office REITs (9.3%)</b>					<b>164,226</b>
Host Hotels & Resorts Inc.	720,313	13,124	Boston Properties Inc.	150,262	19,384	<b>Retail REITs (12.8%)</b>		
Park Hotels & Resorts Inc.	196,696	5,421	Alexandria Real Estate Equities Inc.	109,626	15,467	Simon Property Group Inc.	300,796	48,055
Hospitality Properties Trust	160,703	4,017	Vornado Realty Trust	166,861	10,696	Realty Income Corp.	295,661	20,392
Ryman Hospitality Properties Inc.	47,541	3,855	Kilroy Realty Corp.	98,187	7,247	Regency Centers Corp.	162,920	10,873
Pebblebrook Hotel Trust	127,079	3,581	SL Green Realty Corp.	81,528	6,552	Federal Realty Investment Trust	72,543	9,341
			Douglas Emmett Inc.	157,311	6,267	National Retail Properties Inc.	157,358	8,342
			Cousins Properties Inc.	141,513	5,118	Kimco Realty Corp.	410,260	7,582
			Hudson Pacific Properties Inc.	150,472	5,006	Brixmor Property Group Inc.	290,921	5,202
			JBG SMITH Properties	113,215	4,454			
			Highwoods Properties Inc.	100,538	4,152			
			Equity Commonwealth	117,948	3,836			



**Real Estate Index Portfolio**

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Amount (\$000)
Macerich Co.	110,241	3,692	CatchMark Timber Trust Inc.			<b>Other Assets and Liabilities (-0.2%)</b>	
Spirit Realty Capital Inc.	84,016	3,584	Class A	47,483	496	<b>Other Assets</b>	
Weingarten Realty Investors	119,836	3,286	^ CorEnergy Infrastructure Trust Inc.	12,222	485	Investment in Vanguard	56
Retail Properties of America Inc.	208,498	2,452	Jernigan Capital Inc.	19,538	401	Receivables for Investment Securities Sold	57
Taubman Centers Inc.	59,678	2,437			<b>378,824</b>	Receivables for Accrued Income	4,180
Agree Realty Corp.	36,618	2,345	<b>Total Equity Real Estate Investment Trusts (REITs) (Cost \$1,063,741)</b>		<b>1,104,865</b>	Receivables for Capital Shares Issued	588
Acadia Realty Trust	79,046	2,163	<b>Real Estate Management &amp; Development (3.5%)<sup>1</sup></b>			Variation Margin Receivable—Futures Contracts	10
Urban Edge Properties	110,518	1,915	* CBRE Group Inc. Class A	314,875	16,153	<b>Total Other Assets</b>	<b>4,891</b>
Retail Opportunity Investments Corp.	110,479	1,892	Jones Lang LaSalle Inc.	44,370	6,242	<b>Liabilities</b>	
SITE Centers Corp.	142,305	1,884	* Howard Hughes Corp.	39,740	4,921	Payables for Investment Securities Purchased	(4,395)
Tanger Factory Outlet Centers Inc.	90,768	1,471	Kennedy-Wilson Holdings Inc.	124,123	2,553	Collateral for Securities on Loan	(1,478)
^ Seritage Growth Properties Class A	32,803	1,409	* Cushman & Wakefield plc	94,182	1,684	Payables for Capital Shares Redeemed	(427)
Kite Realty Group Trust	81,404	1,232	HFF Inc. Class A	35,905	1,633	Payables to Vanguard	(513)
Getty Realty Corp.	33,233	1,022	* Redfin Corp.	69,985	1,258	<b>Total Liabilities</b>	<b>(6,813)</b>
RPT Realty	77,441	938	Newmark Group Inc. Class A	127,278	1,143	<b>Net Assets (100%)</b>	
Alexander's Inc.	2,206	817	Realogy Holdings Corp.	109,531	793	<b>Applicable to 90,219,739 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)</b>	<b>1,147,780</b>
American Finance Trust Inc.	69,855	761	* Marcus & Millichap Inc.	22,281	687	<b>Net Asset Value Per Share</b>	<b>\$12.72</b>
Saul Centers Inc.	13,177	740	* St. Joe Co.	34,711	600		
^ Washington Prime Group Inc.	180,008	688	RMR Group Inc. Class A	11,723	551		
Urstadt Biddle Properties Inc. Class A	28,850	606	RE/MAX Holdings Inc. Class A	17,055	525		
Retail Value Inc.	14,360	500	* FRP Holdings Inc.	7,270	405		
Whitestone REIT	34,725	441	* Five Point Holdings LLC Class A	48,338	364		
^ Pennsylvania REIT	64,996	422	* Tejon Ranch Co.	20,646	343		
Spirit MTA REIT	42,040	351	* Forestar Group Inc.	10,019	196		
Cedar Realty Trust Inc.	85,440	226	^* eXp World Holdings Inc.	16,105	179		
		<b>147,061</b>	* Altisource Portfolio Solutions SA	6,930	136		
<b>Specialized REITs (33.0%)</b>			<b>Total Real Estate Management &amp; Development (Cost \$42,224)</b>		<b>40,366</b>		
American Tower Corp.	429,203	87,751	<b>Temporary Cash Investments (0.4%)<sup>1</sup></b>				
Crown Castle International Corp.	404,464	52,722	<b>Money Market Fund (0.4%)</b>				
Equinix Inc.	78,597	39,636	<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.499%	43,707	4,372		
Public Storage	152,740	36,378					
* SBA Communications Corp. Class A	109,466	24,612					
Digital Realty Trust Inc.	202,370	23,837					
Weyerhaeuser Co.	726,356	19,132					
Extra Space Storage Inc.	123,725	13,127					
Iron Mountain Inc.	279,443	8,747					
VICI Properties Inc.	393,617	8,675					
Gaming and Leisure Properties Inc.	198,802	7,749					
Lamar Advertising Co. Class A	82,936	6,694					
CubeSmart	182,368	6,098					
CyrusOne Inc.	105,304	6,078					
EPR Properties	72,260	5,390					
Life Storage Inc.	45,352	4,312					
CoreSite Realty Corp.	35,808	4,124					
Rayonier Inc.	126,058	3,820					
Outfront Media Inc.	137,182	3,538					
PotlatchDeltic Corp.	66,430	2,589					
QTS Realty Trust Inc. Class A	53,845	2,487					
GEO Group Inc.	117,754	2,474					
CoreCivic Inc.	114,933	2,386					
Four Corners Property Trust Inc.	67,161	1,836					
Uniti Group Inc.	173,167	1,645					
National Storage Affiliates Trust	55,470	1,605					

	Amount (\$000)
Paid-in Capital	1,090,256
Total Distributable Earnings (Loss)	57,524
<b>Net Assets</b>	<b>1,147,780</b>
• See Note A in Notes to Financial Statements.	
§ Security value determined using significant unobservable inputs.	
^ Includes partial security positions on loan to broker-dealers.	
The total value of securities on loan is \$1,440,000.	
* Non-income-producing security.	
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 0.2%, respectively, of net assets.	
2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.	
3 Includes \$1,478,000 of collateral received for securities on loan.	
4 Securities with a value of \$99,000 have been segregated as initial margin for open futures contracts.	
REIT—Real Estate Investment Trust.	

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Derivative Financial Instruments Outstanding as of Period End

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Futures Contracts

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			(\$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 2019	65	2,251	(36)

## Statement of Operations

	Six Months Ended June 30, 2019 (\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	17,483
Interest <sup>1</sup>	17
Securities Lending—Net	24
Total Income	17,524
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	134
Management and Administrative	1,217
Marketing and Distribution	48
Custodian Fees	12
Shareholders' Reports	7
Trustees' Fees and Expenses	—
Total Expenses	1,418
<b>Net Investment Income</b>	<b>16,106</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	2,860
Futures Contracts	237
Capital Gain Distributions Received	2,164
<b>Realized Net Gain (Loss)</b>	<b>5,261</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	163,827
Futures Contracts	97
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>163,924</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>185,291</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$14,000, \$2,000, and \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019 (\$000)	Year Ended December 31, 2018 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	16,106	30,686
Realized Net Gain (Loss)	5,261	53,322
Change in Unrealized Appreciation (Depreciation)	163,924	(141,621)
Net Increase (Decrease) in Net Assets Resulting from Operations	185,291	(57,613)
<b>Distributions</b>		
Net Investment Income	(30,595)	(30,725)
Realized Capital Gain <sup>1</sup>	(55,292)	(37,675)
Total Distributions	(85,887)	(68,400)
<b>Capital Share Transactions</b>		
Issued	74,912	145,927
Issued in Lieu of Cash Distributions	85,887	68,400
Redeemed	(77,492)	(200,093)
Net Increase (Decrease) from Capital Share Transactions	83,307	14,234
Total Increase (Decrease)	182,711	(111,779)
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>965,069</b>	<b>1,076,848</b>
<b>End of Period</b>	<b>1,147,780</b>	<b>965,069</b>

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$6,455,000 and \$441,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$11.57</b>	<b>\$13.14</b>	<b>\$13.48</b>	<b>\$13.77</b>	<b>\$14.17</b>	<b>\$11.87</b>
<b>Investment Operations</b>						
Net Investment Income	.185 <sup>1</sup>	.367 <sup>1</sup>	.375 <sup>1</sup>	.346	.358	.307
Net Realized and Unrealized Gain (Loss) on Investments	1.998	(1.084)	.220	.734	(.032)	3.061
Total from Investment Operations	2.183	(.717)	.595	1.080	.326	3.368
<b>Distributions</b>						
Dividends from Net Investment Income	(.368)	(.383)	(.336)	(.375)	(.251)	(.367)
Distributions from Realized Capital Gains	(.665)	(.470)	(.599)	(.995)	(.475)	(.701)
Total Distributions	(1.033)	(.853)	(.935)	(1.370)	(.726)	(1.068)
<b>Net Asset Value, End of Period</b>	<b>\$12.72</b>	<b>\$11.57</b>	<b>\$13.14</b>	<b>\$13.48</b>	<b>\$13.77</b>	<b>\$14.17</b>
<b>Total Return</b>	<b>19.24%</b>	<b>-5.35%</b>	<b>4.78%</b>	<b>8.36%</b>	<b>2.22%</b>	<b>30.11%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$1,148	\$965	\$1,077	\$1,093	\$990	\$1,009
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.27%	0.27%	0.27%	0.27%
Ratio of Net Investment Income to Average Net Assets	2.94%	3.04%	2.87%	2.55%	2.60%	3.96%
Portfolio Turnover Rate	9%	35%	10%	14%	21%	11%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

<sup>1</sup> Calculated based on average shares outstanding.

## Notes to Financial Statements

The 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. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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, 2019, 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, 2015–2018), and for the period ended June 30, 2019, 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. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

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 \$4.3 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, 2019, or at any time during the period then ended.

7. Other: Distributions received from investment securities are recorded on the ex-dividend date. Each investment security typically 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 investment securities, and management's estimates of such amounts for investment security 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 are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. 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, 2019, the portfolio had contributed to Vanguard capital in the amount of \$56,000, representing 0.00% 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, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	1,145,196	—	35
Temporary Cash Investments	4,372	99	—
Futures Contracts—Assets <sup>1</sup>	10	—	—
Total	1,149,578	99	35

<sup>1</sup> Represents variation margin on the last day of the reporting period.

D. As of June 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	1,110,436
Gross Unrealized Appreciation	171,791
Gross Unrealized Depreciation	(132,561)
Net Unrealized Appreciation (Depreciation)	39,230

E. During the six months ended June 30, 2019, the portfolio purchased \$63,621,000 of investment securities and sold \$47,710,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	5,929	12,072
Issued in Lieu of Cash Distributions	7,040	6,005
Redeemed	(6,137)	(16,621)
Net Increase (Decrease) in Shares Outstanding	6,832	1,456

At June 30, 2019, 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 this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.

## 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.

### **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.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

### **The benefit of economies of scale**

The board concluded that the portfolio's 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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This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [sec.gov](http://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](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



**Vanguard®**

P.O. Box 2600  
Valley Forge, PA 19482-2600



**Semiannual Report** | June 30, 2019

# Vanguard Variable Insurance Fund

Small Company Growth Portfolio

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.

## Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund's annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://vanguard.com).

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to [vanguard.com](https://vanguard.com). Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

## Contents

# Small Company Growth Portfolio

## 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, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Small Company Growth Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,195.57	\$1.74
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.21	1.61

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 0.32%. 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).

## Sector Diversification

As of June 30, 2019

Communication Services	2.5%
Consumer Discretionary	15.8
Consumer Staples	1.1
Energy	0.5
Financials	4.5
Health Care	22.0
Industrials	24.1
Information Technology	24.7
Materials	2.5
Real Estate	2.0
Utilities	0.3

The table reflects the portfolio's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting 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.

## Financial Statements (unaudited)

### Statement of Net Assets

As of June 30, 2019

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (95.8%)<sup>1</sup></b>								
<b>Communication Services (2.4%)</b>			* Rent-A-Center Inc.	94,622	2,520	Voya Financial Inc.	61,670	3,410
Cinemark Holdings Inc.	370,539	13,376	Gentex Corp.	100,564	2,475	^* Health Insurance		
National CineMedia Inc.	1,127,203	7,394	* Denny's Corp.	110,868	2,276	Innovations Inc. Class A	131,075	3,397
^ Match Group Inc.	87,752	5,903	* Zumiez Inc.	86,600	2,260	MSCI Inc. Class A	14,181	3,386
* Boingo Wireless Inc.	226,147	4,064	* Ollie's Bargain Outlet Holdings Inc.	24,955	2,174	* Enova International Inc.	122,027	2,813
Nexstar Media Group Inc. Class A	35,106	3,546	* NVR Inc.	584	1,968	CIT Group Inc.	45,273	2,379
* TechTarget Inc.	164,496	3,496	* Stoneridge Inc.	61,905	1,953	* Cowen Inc. Class A	134,712	2,316
* Glu Mobile Inc.	428,694	3,078	* Murphy USA Inc.	22,529	1,893	East West Bancorp Inc.	42,582	1,991
* Liberty TripAdvisor Holdings Inc. Class A	225,571	2,797	^ Tailored Brands Inc.	291,975	1,685	* NMI Holdings Inc. Class A	63,609	1,806
New York Times Co. Class A	50,139	1,636	Columbia Sportswear Co.	16,509	1,654	* SVB Financial Group	6,762	1,519
* Bandwidth Inc. Class A	17,866	1,340	* G-III Apparel Group Ltd.	54,198	1,595	Universal Insurance Holdings Inc.	51,576	1,439
World Wrestling Entertainment Inc. Class A	17,073	1,233	* 1-800-Flowers.com Inc. Class A	80,552	1,521	Greenhill & Co. Inc.	94,865	1,289
Meredith Corp.	22,378	1,232	^* Fossil Group Inc.	126,874	1,459	BrightSphere Investment Group plc	104,544	1,193
Tribune Publishing Co.	123,706	986	* Roku Inc.	16,076	1,456	* Alleghany Corp.	1,572	1,071
Shenandoah Telecommunications Co.	25,443	980	* Burlington Stores Inc.	8,377	1,425	Independent Bank Corp.	12,249	933
		<b>51,061</b>	* TopBuild Corp.	17,072	1,413	Piper Jaffray Cos.	10,127	752
<b>Consumer Discretionary (15.1%)</b>			* Conn's Inc.	77,021	1,373	* MBIA Inc.	57,455	535
* Skechers U.S.A. Inc. Class A	1,060,335	33,390	Wendy's Co.	68,364	1,339	* On Deck Capital Inc.	74,543	309
Hanesbrands Inc.	1,468,997	25,296	* Everi Holdings Inc.	97,070	1,158	* Regional Management Corp.	8,888	234
* Grand Canyon Education Inc.	188,741	22,086	Nordstrom Inc.	35,526	1,132			<b>91,382</b>
* Sally Beauty Holdings Inc.	1,430,149	19,078	* Kontoor Brands Inc.	30,673	859	<b>Health Care (21.1%)</b>		
* frontdoor Inc.	431,939	18,811	Bloomin' Brands Inc.	44,046	833	* Syneos Health Inc.	387,698	19,807
* Shutterstock Inc.	388,756	15,235	* Career Education Corp.	40,049	764	STERIS plc	122,260	18,202
Polaris Industries Inc.	161,200	14,706			<b>318,895</b>	* Quidel Corp.	212,697	12,617
Carter's Inc.	136,209	13,286	<b>Consumer Staples (1.1%)</b>			* MEDNAX Inc.	490,846	12,384
* Deckers Outdoor Corp.	51,256	9,020	* Boston Beer Co. Inc. Class A	19,858	7,501	* BioTelemetry Inc.	234,450	11,289
* Planet Fitness Inc. Class A	119,953	8,689	Medifast Inc.	30,781	3,949	* Integra LifeSciences Holdings Corp.	201,204	11,237
* Under Armour Inc. Class C	379,741	8,430	Coca-Cola Consolidated Inc.	9,383	2,808	* Exact Sciences Corp.	92,828	10,957
* Etsy Inc.	132,713	8,145	^ B&G Foods Inc.	98,115	2,041	* Catalent Inc.	199,900	10,837
* Wolverine World Wide Inc.	258,686	7,124	* Post Holdings Inc.	17,261	1,795	* Prestige Consumer Healthcare Inc.	338,323	10,718
Wingstop Inc.	72,133	6,835	* BJ's Wholesale Club Holdings Inc.	67,203	1,774	Cooper Cos. Inc.	30,704	10,344
H&R Block Inc.	220,376	6,457	* Herbalife Nutrition Ltd.	27,668	1,183	* Medidata Solutions Inc.	110,132	9,968
PulteGroup Inc.	191,375	6,051	Casey's General Stores Inc.	6,044	943	* Ionis Pharmaceuticals Inc.	136,014	8,742
* Boot Barn Holdings Inc.	169,763	6,050	* Chefs' Warehouse Inc.	26,462	928	* Agios Pharmaceuticals Inc.	170,300	8,495
^* YETI Holdings Inc.	207,480	6,007			<b>22,922</b>	Brucker Corp.	165,425	8,263
Brinker International Inc.	139,753	5,499	<b>Energy (0.5%)</b>			Chemed Corp.	22,657	8,176
Domino's Pizza Inc.	17,707	4,928	* Renewable Energy Group Inc.	171,545	2,721	* PRA Health Sciences Inc.	80,465	7,978
* ServiceMaster Global Holdings Inc.	90,273	4,702	* W&T Offshore Inc.	501,672	2,488	* Axogen Inc.	379,859	7,521
^* RH	36,314	4,198	* RigNet Inc.	221,753	2,235	* Insulet Corp.	62,495	7,461
Dave & Buster's Entertainment Inc.	101,393	4,103	* CONSOL Energy Inc.	46,768	1,245	* Charles River Laboratories International Inc.	51,992	7,378
* Chegg Inc.	106,022	4,091	* ProPetro Holding Corp.	52,851	1,094	Encompass Health Corp.	114,390	7,248
Dine Brands Global Inc.	42,264	4,035	Delek US Holdings Inc.	19,555	792	* Integer Holdings Corp.	84,295	7,074
Core-Mark Holding Co. Inc.	100,987	4,011			<b>10,575</b>	* Spectrum Pharmaceuticals Inc.	804,359	6,926
* SeaWorld Entertainment Inc.	117,461	3,641	<b>Financials (4.3%)</b>			* Masimo Corp.	45,856	6,824
Lear Corp.	19,297	2,688	LPL Financial Holdings Inc.	259,155	21,139	* Heron Therapeutics Inc.	341,176	6,342
* Five Below Inc.	21,452	2,575	WisdomTree Investments Inc.	1,365,896	8,427	* Veeva Systems Inc. Class A	37,652	6,104
* Chewy Inc.	72,654	2,543	Primerica Inc.	60,148	7,215	* Nevro Corp.	89,827	5,823
			FirstCash Inc.	64,384	6,440	* Revance Therapeutics Inc.	437,981	5,681
			OneMain Holdings Inc.	159,262	5,385	* DexCom Inc.	37,622	5,637
			Walker & Dunlop Inc.	80,519	4,284	* Novocure Ltd.	87,649	5,542
			Bank of NT Butterfield & Son Ltd.	120,754	4,101	* Medpace Holdings Inc.	84,186	5,507
			Bank OZK	120,268	3,619			



# Small Company Growth Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Ironwood Pharmaceuticals Inc. Class A	493,508	5,399	* Silk Road Medical Inc.	17,378	842	* Continental Building Products Inc.	169,153	4,494
^* Esperion Therapeutics Inc.	115,846	5,389	* Veracyte Inc.	24,021	685	Korn Ferry	111,790	4,480
^* Immunomedics Inc.	385,652	5,349	* ImmunoGen Inc.	307,341	667	ArcBest Corp.	151,490	4,258
* Genomic Health Inc.	91,753	5,337	* Jounce Therapeutics Inc.	126,213	625	IDEX Corp.	22,626	3,895
^* Viking Therapeutics Inc.	640,694	5,318	* Orthofix Medical Inc.	10,615	561	Comfort Systems USA Inc.	71,043	3,623
^* Arrowhead Pharmaceuticals Inc.	200,311	5,308	* Reata Pharmaceuticals Inc. Class A	5,520	521	MSA Safety Inc.	25,464	2,684
* Amedisys Inc.	40,507	4,918	^* NewLink Genetics Corp.	302,850	448	* Hub Group Inc. Class A	59,244	2,487
* CorVel Corp.	56,270	4,896	* Collegium Pharmaceutical Inc.	34,025	447	* TrueBlue Inc.	111,653	2,463
* Tenet Healthcare Corp.	225,518	4,659	* Vanda Pharmaceuticals Inc.	31,326	441	* Herc Holdings Inc.	48,809	2,237
* Mettler-Toledo International Inc.	5,291	4,444	* Cyclorion Therapeutics Inc.	37,118	425	* Milacron Holdings Corp.	158,265	2,184
* Neurocrine Biosciences Inc.	48,105	4,062	^* Inovio Pharmaceuticals Inc.	125,905	370	Covanta Holding Corp.	116,414	2,085
* Pacira BioSciences Inc.	82,412	3,584	^* Novavax Inc.	31,923	187	* Astronics Corp.	49,517	1,992
* IQVIA Holdings Inc.	22,260	3,582	^* Conatus Pharmaceuticals Inc.	152,005	40	Rush Enterprises Inc. Class A	49,949	1,824
Hill-Rom Holdings Inc.	34,040	3,561			444,735	* Harsco Corp.	66,135	1,815
Ensign Group Inc.	59,978	3,414	<b>Industrials (23.0%)</b>			Federal Signal Corp.	64,775	1,733
* Endologix Inc.	462,140	3,346	* Sensata Technologies Holding plc	605,903	29,689	* Gardner Denver Holdings Inc.	49,885	1,726
* Alkermes plc	145,887	3,288	* Clean Harbors Inc.	363,303	25,831	* Builders FirstSource Inc.	87,368	1,473
* Biohaven Pharmaceutical Holding Co. Ltd.	74,950	3,282	* TriNet Group Inc.	377,187	25,573	* Echo Global Logistics Inc.	68,553	1,431
* Tandem Diabetes Care Inc.	50,737	3,274	* Middleby Corp.	163,657	22,208	* Vicor Corp.	42,086	1,307
* Enanta Pharmaceuticals Inc.	37,745	3,185	MSC Industrial Direct Co. Inc. Class A	277,847	20,633	McGrath RentCorp	20,738	1,289
* Halozyme Therapeutics Inc.	184,698	3,173	* Kennametal Inc.	473,790	17,526	Advanced Drainage Systems Inc.	36,791	1,206
* Haemonetics Corp.	26,007	3,130	* Kirby Corp.	219,772	17,362	Kimball International Inc. Class B	64,327	1,121
* MacroGenics Inc.	183,017	3,106	John Bean Technologies Corp.	132,266	16,021	Systemax Inc.	49,948	1,107
* Molina Healthcare Inc.	21,130	3,025	ABM Industries Inc.	400,200	16,008	Graco Inc.	20,335	1,020
* NanoString Technologies Inc.	99,131	3,009	HEICO Corp. Class A	145,309	15,021	Barrett Business Services Inc.	11,736	969
* DBV Technologies SA ADR	363,046	2,984	Woodward Inc.	129,669	14,673	Brady Corp. Class A	19,024	938
PerkinElmer Inc.	29,359	2,828	Tennant Co.	214,074	13,101	* Gates Industrial Corp. plc	72,513	827
Mesa Laboratories Inc.	11,548	2,822	Heartland Express Inc.	628,319	11,354	Exponent Inc.	13,143	769
* Acorda Therapeutics Inc.	367,609	2,820	Ritchie Bros Auctioneers Inc.	318,606	10,584	National Presto Industries Inc.	6,597	616
* ICU Medical Inc.	10,617	2,675	Lennox International Inc.	36,852	10,134			486,395
* Surmodics Inc.	60,427	2,609	* Cimpress NV	101,600	9,235	<b>Information Technology (23.7%)</b>		
* STAAR Surgical Co.	83,453	2,452	Allegion plc	83,259	9,204	LogMeIn Inc.	381,445	28,105
* Fluidigm Corp.	190,873	2,352	Spirit AeroSystems Holdings Inc. Class A	112,514	9,155	* Trimble Inc.	423,979	19,126
* HMS Holdings Corp.	72,528	2,349	Forward Air Corp.	150,959	8,929	j2 Global Inc.	215,009	19,112
* CareDx Inc.	64,999	2,339	Allison Transmission Holdings Inc.	191,969	8,898	* Cornerstone OnDemand Inc.	277,264	16,062
* Lantheus Holdings Inc.	78,815	2,230	* Generac Holdings Inc.	128,140	8,894	* SolarWinds Corp.	830,284	15,227
* Twist Bioscience Corp.	73,266	2,125	Armstrong World Industries Inc.	89,761	8,725	* 2U Inc.	393,626	14,816
* Natera Inc.	71,731	1,978	Multi-Color Corp.	170,461	8,518	* ON Semiconductor Corp.	726,644	14,685
* Endo International plc	470,202	1,937	* Aerojet Rocketdyne Holdings Inc.	177,924	7,966	Belden Inc.	227,302	13,540
* Align Technology Inc.	6,677	1,827	Matson Inc.	197,617	7,677	Switch Inc.	1,019,840	13,350
* Asserto Therapeutics Inc.	528,241	1,822	Robert Half International Inc.	134,304	7,657	* EuroNet Worldwide Inc.	79,116	13,310
* Epizyme Inc.	140,059	1,758	Huntington Ingalls Industries Inc.	28,562	6,419	CDW Corp.	115,482	12,818
US Physical Therapy Inc.	13,305	1,631	Wabtec Corp.	79,078	5,675	* Carbonite Inc.	449,171	11,696
* Vericel Corp.	85,822	1,621	Landstar System Inc.	50,560	5,460	Presidio Inc.	822,423	11,243
* Horizon Therapeutics plc	65,347	1,572	Kforce Inc.	154,938	5,437	* Gartner Inc.	68,955	11,098
* Precision BioSciences Inc.	118,241	1,567	EMCOR Group Inc.	60,466	5,327	* Zebra Technologies Corp.	52,904	11,083
^* Intrexon Corp.	201,755	1,545	* HD Supply Holdings Inc.	132,034	5,318	* Paycom Software Inc.	47,528	10,776
* HealthEquity Inc.	23,319	1,525	* Proto Labs Inc.	44,368	5,148	Booz Allen Hamilton Holding Corp. Class A	161,194	10,673
* Alder Biopharmaceuticals Inc.	125,778	1,480	* Evoqua Water Technologies Corp.	356,693	5,079	SS&C Technologies Holdings Inc.	168,763	9,722
* Voyager Therapeutics Inc.	52,426	1,427	* Aerovironment Inc.	89,237	5,066	* HubSpot Inc.	50,310	8,579
* Myriad Genetics Inc.	49,499	1,375	Albany International Corp. Class A	59,365	4,922	* Five9 Inc.	149,055	7,645
LeMaitre Vascular Inc.	45,977	1,286	Hillenbrand Inc.	118,380	4,684	* Teradata Corp.	212,124	7,605
Luminex Corp.	60,247	1,244	* Atkore International Group Inc.	179,227	4,637	* Workiva Inc.	128,545	7,467
* Akorn Inc.	229,680	1,183	* Meritor Inc.	189,456	4,594	* Fair Isaac Corp.	23,698	7,442
* FibroGen Inc.	25,916	1,171				* Anaplan Inc.	142,759	7,205
* Pieris Pharmaceuticals Inc.	243,036	1,142				* FireEye Inc.	462,432	6,849
* Global Blood Therapeutics Inc.	20,648	1,086				MAXIMUS Inc.	92,411	6,703
Phibro Animal Health Corp. Class A	32,100	1,020				Sabre Corp.	301,471	6,693
* NuVasive Inc.	17,092	1,001				* Manhattan Associates Inc.	95,783	6,641
Atrion Corp.	1,109	946				* Appfolio Inc.	64,379	6,584
* Iovance Biotherapeutics Inc.	37,478	919				* New Relic Inc.	74,999	6,488
* Invitae Corp.	36,756	864						
^* MannKind Corp.	734,007	844						

**Small Company Growth Portfolio**

	Shares	Market Value* (\$000)
* Fortinet Inc.	84,006	6,454
* Cadence Design Systems Inc.	90,973	6,442
* Atlassian Corp. plc Class A	48,601	6,359
* Lattice Semiconductor Corp.	429,208	6,262
Broadridge Financial Solutions Inc.	48,418	6,182
* Box Inc.	332,033	5,847
* Nuance Communications Inc.	354,330	5,659
* Ceridian HCM Holding Inc.	108,909	5,467
* Cardtronics plc Class A	189,982	5,190
^* 3D Systems Corp.	547,469	4,982
* Zendesk Inc.	55,005	4,897
* Alteryx Inc. Class A	44,696	4,877
* RealPage Inc.	82,865	4,877
* Verint Systems Inc.	88,179	4,742
* Synaptics Inc.	154,797	4,511
* Diodes Inc.	118,487	4,309
* RingCentral Inc. Class A	33,419	3,841
* Advanced Micro Devices Inc.	122,867	3,731
^* SunPower Corp. Class A	343,047	3,667
* Pagerduty Inc.	74,562	3,508
* ChannelAdvisor Corp.	357,097	3,128
* Fitbit Inc. Class A	698,609	3,074
* SPS Commerce Inc.	26,304	2,689
* Ubiquiti Networks Inc.	19,052	2,505
* Everbridge Inc.	27,040	2,418
* EPAM Systems Inc.	13,779	2,385
* Trade Desk Inc. Class A	9,975	2,272
* Unisys Corp.	223,141	2,169
* Nutanix Inc.	83,029	2,154
* eGain Corp.	261,786	2,131
* TTEC Holdings Inc.	44,006	2,050
* Domo Inc.	71,944	1,966
* MaxLinear Inc.	83,002	1,946
* Insight Enterprises Inc.	31,157	1,813
* Cirrus Logic Inc.	41,396	1,809
* Extreme Networks Inc.	270,333	1,749
^* PAR Technology Corp.	58,172	1,640
* Itron Inc.	25,877	1,619
* EVERTEC Inc.	44,889	1,468
* OSI Systems Inc.	12,323	1,388
* Endurance International Group Holdings Inc.	280,425	1,346
* SMART Global Holdings Inc.	57,365	1,319
* Avid Technology Inc.	137,266	1,252
* Paysign Inc.	91,265	1,220
* Inphi Corp.	21,672	1,086
* Nanometrics Inc.	25,023	869
* ePlus Inc.	12,058	831
* Okta Inc.	6,522	806
* Acacia Communications Inc.	15,308	722
* Cision Ltd.	59,367	696
* Virtusa Corp.	15,286	679
* A10 Networks Inc.	98,231	670
* Altair Engineering Inc. Class A	13,722	554
* Alarm.com Holdings Inc.	8,923	477
* PFSweb Inc.	73,268	297
		<b>499,344</b>

	Shares	Market Value* (\$000)
<b>Materials (2.4%)</b>		
Graphic Packaging Holding Co.	700,370	9,791
Sealed Air Corp.	148,714	6,362
* Verso Corp.	237,682	4,528
* Element Solutions Inc.	420,503	4,348
Avery Dennison Corp.	34,699	4,014
Scotts Miracle-Gro Co.	35,587	3,505
Huntsman Corp.	154,018	3,148
Packaging Corp. of America	29,162	2,780
Myers Industries Inc.	142,575	2,747
Louisiana-Pacific Corp.	101,163	2,653
Quaker Chemical Corp.	11,210	2,274
Royal Gold Inc.	20,664	2,118
* Kraton Corp.	24,000	746
Compass Minerals International Inc.	9,804	539
* AdvanSix Inc.	20,190	493
		<b>50,046</b>
<b>Other (0.0%)</b>		
*.§ NuPathe Inc. CVR	345,900	—
<b>Real Estate (1.9%)</b>		
EastGroup Properties Inc.	59,580	6,910
Omega Healthcare Investors Inc.	156,164	5,739
National Health Investors Inc.	61,600	4,806
GEO Group Inc.	126,024	2,648
Tanger Factory Outlet Centers Inc.	161,123	2,612
Essential Properties Realty Trust Inc.	123,386	2,473
CareTrust REIT Inc.	90,705	2,157
Kennedy-Wilson Holdings Inc.	104,723	2,154
PS Business Parks Inc.	12,669	2,135
^ Pennsylvania REIT	291,127	1,892
^ Innovative Industrial Properties Inc.	15,068	1,862
Universal Health Realty Income Trust	20,778	1,765
RMR Group Inc. Class A	29,412	1,382
iStar Inc.	70,374	874
Hannon Armstrong Sustainable Infrastructure Capital Inc.	30,977	873
		<b>40,282</b>
<b>Utilities (0.3%)</b>		
NRG Energy Inc.	112,162	3,939
New Jersey Resources Corp.	25,762	1,282
Northwest Natural Holding Co.	12,235	851
		<b>6,072</b>
<b>Total Common Stocks (Cost \$1,926,165)</b>		
		<b>2,021,709</b>

	Shares	Market Value* (\$000)
<b>Temporary Cash Investments (5.2%)<sup>1</sup></b>		
<b>Money Market Fund (5.0%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.499%	1,066,413	106,662
	Face Amount (\$000)	
<b>U.S. Government and Agency Obligations (0.2%)</b>		
<sup>4</sup> United States Treasury Bill, 2.349%, 8/15/19	3,400	3,391
<sup>4</sup> United States Treasury Bill, 2.480%, 9/5/19	400	399
		<b>3,790</b>
<b>Total Temporary Cash Investments (Cost \$110,446)</b>		
		<b>110,452</b>
<b>Total Investments (101.0%) (Cost \$2,036,611)</b>		
		<b>2,132,161</b>
<b>Other Assets and Liabilities (-1.0%)</b>		
Other Assets <sup>4</sup>		15,619
Liabilities <sup>3</sup>		(36,895)
		<b>(21,276)</b>
<b>Net Assets (100%)</b>		
<b>Applicable to 97,969,013 outstanding \$ .001 par value shares of beneficial interest (unlimited authorization)</b>		
		<b>2,110,885</b>
<b>Net Asset Value Per Share</b>		
		<b>\$21.55</b>
	Amount (\$000)	
<b>Statement of Assets and Liabilities</b>		
<b>Assets</b>		
Investments in Securities, at Value		
Unaffiliated Issuers		2,025,499
Affiliated Issuers		106,662
Total Investments in Securities		2,132,161
Investment in Vanguard		100
Receivables for Investment Securities Sold		11,635
Receivables for Accrued Income		1,148
Receivables for Capital Shares Issued		763
Variation Margin Receivable—Futures Contracts		671
Other Assets <sup>4</sup>		1,302
<b>Total Assets</b>		<b>2,147,780</b>
<b>Liabilities</b>		
Payables for Investment Securities Purchased		1,050
Collateral for Securities on Loan		31,477
Payables to Investment Advisor		511
Payables for Capital Shares Redeemed		2,814
Payables to Vanguard		1,043
<b>Total Liabilities</b>		<b>36,895</b>
<b>Net Assets</b>		
		<b>2,110,885</b>

At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,915,035
Total Distributable Earnings (Loss)	195,850
<b>Net Assets</b>	<b>2,110,885</b>

• See Note A in Notes to Financial Statements.

<sup>^</sup> Includes partial security positions on loan to broker-dealers.  
The total value of securities on loan is \$29,543,000.

\* Non-income-producing security.

§ Security value determined using significant unobservable inputs.

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 98.5% and 2.5%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes \$31,477,000 of collateral received for securities on loan.

4 Securities with a value of \$3,206,000 and cash of \$149,000 have been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

CVR—Contingent Value Rights.

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				
E-mini Russell 2000 Index	September 2019	734	57,513	1,342

## Statement of Operations

	Six Months Ended June 30, 2019 (\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	7,158
Interest <sup>1</sup>	1,193
Securities Lending—Net	319
<b>Total Income</b>	<b>8,670</b>
<b>Expenses</b>	
Investment Advisory Fees—Note B	
Basic Fee	1,504
Performance Adjustment	63
The Vanguard Group—Note C	
Management and Administrative	1,558
Marketing and Distribution	113
Custodian Fees	8
Shareholders' Reports	16
Trustees' Fees and Expenses	1
<b>Total Expenses</b>	<b>3,263</b>
<b>Net Investment Income</b>	<b>5,407</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	93,115
Futures Contracts	1,603
<b>Realized Net Gain (Loss)</b>	<b>94,718</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	245,451
Futures Contracts	3,269
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>248,720</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>348,845</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from affiliated companies of the portfolio were \$1,008,000, \$5,000, and \$11,000, respectively.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019 (\$000)	Year Ended December 31, 2018 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	5,407	10,278
Realized Net Gain (Loss)	94,718	225,393
Change in Unrealized Appreciation (Depreciation)	248,720	(409,764)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>348,845</b>	<b>(174,093)</b>
<b>Distributions</b>		
Net Investment Income	(10,333)	(7,284)
Realized Capital Gain <sup>1</sup>	(224,554)	(197,105)
<b>Total Distributions</b>	<b>(234,887)</b>	<b>(204,389)</b>
<b>Capital Share Transactions</b>		
Issued	156,581	616,100
Issued in Lieu of Cash Distributions	234,887	204,389
Redeemed	(221,559)	(365,139)
<b>Net Increase (Decrease) from Capital Share Transactions</b>	<b>169,909</b>	<b>455,350</b>
<b>Total Increase (Decrease)</b>	<b>283,867</b>	<b>76,868</b>
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>1,827,018</b>	<b>1,750,150</b>
<b>End of Period</b>	<b>2,110,885</b>	<b>1,827,018</b>

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$42,828,000 and \$49,729,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$20.30</b>	<b>\$24.62</b>	<b>\$21.50</b>	<b>\$20.79</b>	<b>\$24.14</b>	<b>\$26.90</b>
<b>Investment Operations</b>						
Net Investment Income	.057 <sup>1</sup>	.123 <sup>1</sup>	.109 <sup>1</sup>	.116	.078	.085
Net Realized and Unrealized Gain (Loss) on Investments	3.864	(1.563)	4.652	2.547	(.577)	.610
Total from Investment Operations	3.921	(1.440)	4.761	2.663	(.499)	.695
<b>Distributions</b>						
Dividends from Net Investment Income	(.118)	(.103)	(.111)	(.074)	(.087)	(.075)
Distributions from Realized Capital Gains	(2.553)	(2.777)	(1.530)	(1.879)	(2.764)	(3.380)
Total Distributions	(2.671)	(2.880)	(1.641)	(1.953)	(2.851)	(3.455)
<b>Net Asset Value, End of Period</b>	<b>\$21.55</b>	<b>\$20.30</b>	<b>\$24.62</b>	<b>\$21.50</b>	<b>\$20.79</b>	<b>\$24.14</b>
<b>Total Return</b>	<b>19.56%</b>	<b>-7.22%</b>	<b>23.46%</b>	<b>14.94%</b>	<b>-2.75%</b>	<b>3.38%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$2,111	\$1,827	\$1,750	\$1,397	\$1,256	\$1,329
Ratio of Total Expenses to Average Net Assets <sup>2</sup>	0.32%	0.32%	0.34%	0.36%	0.37%	0.39%
Ratio of Net Investment Income to Average Net Assets	0.55%	0.52%	0.48%	0.58%	0.33%	0.34%
Portfolio Turnover Rate	63%	66%	93%	91%	57%	43%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

<sup>1</sup> Calculated based on average shares outstanding.

<sup>2</sup> Includes performance-based investment advisory fee increases (decreases) of 0.01%, 0.01%, 0.00%, 0.00%, (0.01%), and 0.01%.

## Notes to Financial Statements

The 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. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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, 2019, the portfolio's average investments in long and short futures contracts represented 3% 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, 2015–2018), and for the period ended June 30, 2019, 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. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

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 \$4.3 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, 2019, 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 are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. 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 \$547,000 for the six months ended June 30, 2019.

For the six months ended June 30, 2019, 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 \$63,000 (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, 2019, the portfolio had contributed to Vanguard capital in the amount of \$100,000, representing 0.00% 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, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	2,021,709	—	—
Temporary Cash Investments	106,662	3,790	—
Futures Contracts—Assets <sup>1</sup>	671	—	—
Total	2,129,042	3,790	—

<sup>1</sup> Represents variation margin on the last day of the reporting period.

E. As of June 30, 2019, gross unrealized appreciation and depreciation for investments, derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	2,036,611
Gross Unrealized Appreciation	309,590
Gross Unrealized Depreciation	(212,698)
Net Unrealized Appreciation (Depreciation)	96,892

F. During the six months ended June 30, 2019, the portfolio purchased \$615,126,000 of investment securities and sold \$706,034,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	7,106	25,424
Issued in Lieu of Cash Distributions	11,101	8,894
Redeemed	(10,257)	(15,398)
Net Increase (Decrease) in Shares Outstanding	7,950	18,920

At June 30, 2019, 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 41% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

H. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.



## 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 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.

### **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.

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 structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

### **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 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.

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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](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



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